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NEWS SUMMARY

GENERAL

Tough Afghan line by Britain

The Cabinet strongly reaffirmed its support for U.S. measures against the Soviet Union over the invasion of Afghanistan, writes Philip Rawstorne.

Ministers agreed that Russia should be effectively discouraged from making any similar moves on the future.

Carrington tour

After the return of Foreign Secretary Lord Carrington from a tour of the nations bordering Afghanistan, the Government is expected to seek co-ordinated measures by the EEC and NATO against the Soviet Union. At the end of a visit to Turkey, he said that country's analysis of the Afghanistan situation was "identical" to Britain's (page 3).

In the U.S. businessmen are assuming that President Carter, in announcing a review of export licences to the Soviet Union, has in effect put on ice all U.S.-Soviet trade in manufactured goods (page 4). Argentina said it would not support the U.S. grain embargo against Russia (page 25).

Docks' blacking

U.S. dockers will complete the loading and unloading of the six Soviet ships in American ports but plan to black the 34 ships due in the next 30 days (page 4). As the Soviet airlift of supplies into Afghanistan continued, pockets of resistance were reported in the eastern city of Jalabad and in the Cakhar and Badkhashan provinces (page 5).

Fourth channel faces delays

Cabinet doubts over the form and cost of the proposed fourth television channel may lead to a prolonged shelving of the project.

The Prime Minister's concern over the issue is likely to be encouraged by Cabinet colleagues who favour a completely new, advertising-financed channel competing with ITV and the BBC. They believe this would draw in new money rather than drain present ITV resources. Back Page

Gandhi pledge

Mrs. Indira Gandhi, accepting an invitation to form a new government, said she had no thought of reprisals or vendettas in building a "self-reliant India." Her country's elections ended with her Congress (I) Party holding 351 of the effective 527 Lower House seats.

Bomb victim's £¾m

Lord Mountbatten's grandson Nicholas Knatchbull — killed with him in a terrorist bomb blast aboard their boat last year —left £774,986 net.

Rhodesia flight

British Airways flew into Rhodesia for the first time in almost 14 years. The Boeing 747 flight into Salisbury was the first of what will be regular weekly services from London. Page 5

Briefly . . .

Thirteen people died and 26 were injured when a train hit a bus at a rail crossing near Ayon, Western Turkey.

Ulster is to introduce a £4-a-year dog licence and dog wardens.

School cook Jean Hird landed in hospital after making a telephone call in Sheffield. Someone had smeared the telephone earpiece with super glue.

BUSINESS

Support aids $; gold falls $9½

● DOLLAR firmed to DM 1.7165 (DM 1.7115) and SwFr 1.5790 (SwFr 1.5730) and its index rose to 84.3 (84.2) after intervention by central banks.

● STERLING fell to $2.2595 ($2.2665) after a late rally. Its index fell to 70.9 (71.1).

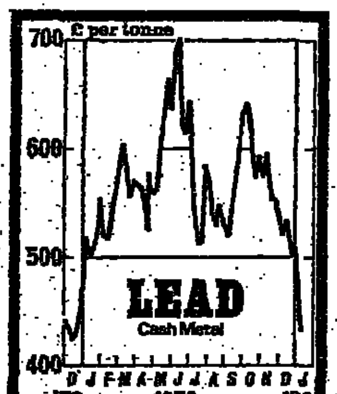
● GOLD fell $9.50 to $600.50 in London.

● GILTS rose sharply and the FT Government Securities Index gained 0.49 to 65.83.

● EQUITIES followed gilts and the FT 30-share index rose 7.3 to 439.8.

● WALL STREET was up 5.88 at 855.97 shortly before the close.

● LEAD fell £10.50 to £434.50, £100 lower than a week ago and its lowest level since December 1978.



● WESTERN BANKS have severely curtailed a loan for East Germany worth $150m (£66m) following the international crisis. Back Page. Poland hopes to raise another $5bn (£2.2bn) in international capital markets this year. Page 2

● INTERNATIONAL financial system faces a bigger challenge in the 1980s in recycling the OPEC surpluses, Karl Otto Poehl, the Bundesbank president has warned. Page 2

● BRITISH companies will eventually change their current accounting format to a multi-column reporting system in line with U.S. practice, an FT conference has been told. Page 8

● NATIONAL ECONOMIC Development Office has criticised industry for not making sufficient use of advanced technology to improve efficiency. Page 7

● UK CAR output fell 156,000 to 1.06m in 1979 against 1.92m in 1972, but commercial vehicle output rose. Page 6

● HARLAND AND WOLFF launched only four ships totalling just 117,520 gross tons in 1979—its lowest tonnage for a decade. Page 7

LABOUR

● BL CARS shop stewards have urged a drive to support their 30 per cent wage claim, but there may be little backing for a strike. Back Page

● BRITISH AIRWAYS flights were hit when maintenance engineers refused to turn up for work at Heathrow Airport in support of a pay claim. Page 8

COMPANIES

● SCOTCH WHISKY group Highland Distilleries has issued a letter to shareholders urging them to reject the £80m bid from Hiram Walker-Gooderham and Worts, of Canada. Page 19 and Lex Back Page

● ENGLISH CHINA CLAYS pre-tax profits in the year to September 30, 1979, rose to £33.12m (£24.48m). Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Treas. 3pc 1982	£85½	+ 1
Treas. 14pc 98-01	£97	+ 1¼
BAT Inds.	253	+ 10
BTR	291	+ 10
Dowty	166	+ 6
Ellis and Everard	112	+ 5
Extel	168	+ 16
Ferranti	452	+ 27
Flight Refuelling	197	+ 12
Glaxo	460	+ 12
Gough Cooper	74	+ 6
Grand Metropolitan	137	+ 6
GKN	249	+ 6
Jones (Ernest)	180	+ 10
Land Secs.	264	+ 8
McCorquodale	111	+ 8
Majedie	84	+ 12
Marks and Spencer	88	+ 3
Metal Box	242	+ 6
Nova (Jersey)	38	+ 4
Savoy A	111	+ 8
Waddington (J.)	128	+ 11
IC Gas	622	+ 22
Barlow Hldgs.	88	+ 6
Kuala Lmp. Kepong	79	+ 5
Broken Hill South	223	+ 11
Buffels	£13¼	+ 1⅜
Central Pacific	£18¼	+ 1¼
Doornfontein	508	+ 34
Hartebeest	£22¾	+ 1¼
Libanon	785	+ 68
Loraine	230	+ 23
Randfontein	£27½	+ 2⅝
SA Land	210	+ 18
Zambia Copper	53	+ 11
FALLS		
Barclays Bank	398	− 8
Sothebys	385	− 10
Ashton Mining	162	− 8
De Beers Dfd.	425	− 21
Roan Cons. Mines	210	− 30

BNOC share sale expected to raise at least £500m

BY RAY DAFTER, ENERGY EDITOR

The Government is expected to raise between £500m and £650m from the sale of shares in the British National Oil Corporation. Details of the State corporation's reorganisation are likely to be announced in the next few weeks.

BNOC is at the centre of heated negotiations with some North Sea producers over pricing of UK crude oil.

While most companies have agreed to settle at a price of about $30 a barrel, a number are insisting on higher levels. This could trigger off a wave of increases among producers of high-quality crude oil.

Developments about BNOC which emerged yesterday are:

REORGANISATION: The Cabinet is expected to sanction splitting of the corporation into two operations.

The oil trading arm, which is negotiating oil prices for well over half the UK output, will be kept in State hands.

The exploration and production side is likely to be turned into a BP-type operation, involving both State and private capital.

Although the Cabinet has still to agree on the form of public participation, it seems that Ministers will approve the sale of a minority interest in the corporation, between 25 and 33 per cent.

With BNOC valued at well above £2bn, such a share sale would raise at least £500m to £650m for the Exchequer.

Mr. David Howell, the Energy Secretary, is known to favour directing a substantial proportion of these shares toward small investors.

With his advisers, Mr. Howell has investigated the possibility of providing all adults in the country with a free issue of interest-bearing BNOC stock.

However, the Treasury is anxious to use any transfer to the private sector of BNOC as a means of reducing the Public Sector Borrowing Requirement. The Foreign Office has also been keen to ensure that the Government does not lose its control of BNOC at a time when the corporation is playing a strategic role in the world oil market.

Splitting of BNOC and the public offer of a minority interest in the exploration and production undertaking are likely to be the compromise reorganisation plan.

The two parts of BNOC are expected to be linked, possibly with a joint chairman.

The Government can expect considerable opposition to the plan, both from Labour MPs and the trade unions. The TUC Economic Committee said this week that if BNOC slipped out of public control the Government would be guilty of "betrayal of our national interest in both financial and strategic terms."

Pointing out that the corporation was expected to make a profit of £300m to £400m annually by next year, the committee said that a move toward private ownership would effectively mean transferring some profits which now went to the Government into the private

Continued on Back Page
Energy Review, Page 17

14% limit on public service pay rises

By Philip Bassett, Labour Staff

THE GOVERNMENT has decided to provide for pay increases of 14 per cent in its cash limits covering public service workers, including 600,000 white-collar civil servants and 250,000 health service ancillary staff.

The health service staff, who are due to receive a reply to their pay claim next week, seem likely to settle for an offer within this provision, in line with the expected acceptance next week of a 13 per cent offer by a roughly comparable group, the 1.1m local authority manual workers.

The Government's decision, though, may provoke another bout of industrial action over pay by Civil Service unions, especially since their expectations of rises of 17-18 per cent this year in line with inflation have been confirmed by the first findings of an independent pay comparability study.

The Cabinet decision is spelt out in a confidential Treasury letter. Its sensitivity is underlined by a statement in the letter that the decision "should not be communicated outside departments without the specific agreement of the Treasury."

New awards

The letter is from Mr. Stephen Robson, assistant secretary in the cash limits division of the Treasury's general expenditure policy group for the public services sector. It says the 14 per cent would cover new pay awards and price increases.

The letter gives details of the method of calculating the element for price increases on non-pay current expenditure. On pay, it says provision will be made for the staged payment of past awards, as in the industrial civil service, and for outstanding awards from the Clegg comparability commission for groups such as the health service ancillaries.

It goes on: "The element for other pay awards will be calculated as a 14 per cent annual increase in earnings from due settlement dates."

The provision is broadly in line with the figure of 13½ per cent provided in the Rate Support Grant last November to cover local authorities' pay increases. It will add further fuel to union suspicions that the Government is in effect using the cash limits system to regulate public sector pay increases.

Private sector steel strike move by union

BY ALAN PIKE AND CHRISTIAN TYLER

LEADERS OF workers in private steel manufacturing are being called to a delegate conference in London on Tuesday to decide whether they should join the national steel strike.

A decision to call out members of the Iron and Steel Trades Confederation in the private sector, which is responsible for about a fifth of national steel output, would greatly intensify the impact of the dispute. Members working for the private companies have no argument with the British Steel Corporation, but there have been demands in some areas for them to be involved as an act of solidarity in the union's first nationa istrike for more than 50 years.

The ISTC said yesterday that its private sector negotiating team was being called to Tuesday's special meeting to discuss the implications of the dispute "and what they can do to speed the success of the strike."

Recommendations from Tuesday's meeting will go to a joint meeting of the ISTC and National Union of Blastfurnacemen's executive the next day.

Members of the TUC's nationalised industries committee yesterday discussed the other major dispute threatening in the public sector—the proposed Welsh general strike on January 21.

They asked the Wales TUC to call off its planned action over steelworks and pit closures. But at the same time they took matters into their own hands by giving a veiled warning that national stoppages would be considered by the TUC General Council unless BSC withdrew proposals to dismiss 50,000 steelworkers by August.

At least 100,000 jobs are at risk, according to TUC estimates.

TUC leaders believe that BSC's announcement of closures has put it in breach of its statutory obligations to consult unions under the Steel Industry Act.

An injunction may be lodged against the corporation after legal advice is sought if BSC refuses to withdraw its plans.

Mr. David Lea, TUC assistant general secretary, said that stoppages of work were included in the brief which will go to the General Council. Mr. Frank Chapple, chairman of the nationalised industries committee, would not spell out the threat directly.

In the national steel dispute, Sir Charles Villiers, chairman of BSC, and other senior management representatives went to the Advisory, Conciliation and Arbitration Service for exploratory talks yesterday. Union representatives are being called in on Monday. However, following the failure of the peace bid Monday night led by Mr. Len Murray, TUC general secretary, there is no reason to presume the ACAS move signals a new breakthrough.

After yesterday's meeting Sir Charles said that the ACAS involvement was in its "early days" and Mr. Bill Sirs, ISTC general secretary, declared himself pessimistic about the outcome of the talks.

Commons business is being changed to allow time for a full debate on steel on Thursday. Sir Keith Joseph, Industry Secretary, is to make a statement on Monday.

Mr. James Prior, Employment Secretary, met TUC leaders for further discussions on the Government's Employment Bill yesterday. He told them that, while he welcomed trade union efforts to control secondary picketing in the steel strike, they were not always successful. Union leaders repeated warnings that if the Bill became law the TUC's voluntary codes on picketing would be withdrawn.

Questioned afterwards on whether the Bill would, if it were law now, change the conduct of the steel strike, Mr. Prior said it would be wrong to look at his proposals on the basis of one dispute. He hoped they would eventually lead to changes in attitudes and behaviour.

However, Mr. Harry Urwin, chairman of the TUC's Employment policy and organisation committee, said he did not think the Bill's proposals would have any effect on a dispute like the steel strike. "I suppose it would mean people having to defy the law."

● Day long meetings at the TUC headquarters included a visit from senior managers of the National Coal Board and BSC to discuss the related question of coal imports—one of the issues behind the militancy of the South Wales miners.

Strike Effects, Page 6

£ in New York

	Jan. 9	Previous
Spot	$2.2645-2665	$2.2550-2565
1 month	0.61-0.56 dis	0.45-0.40 dis
3 months	1.26-1.17 dis	1.16-1.11 dis
12 months	4.85-4.15 dis	4.25-4.05 dis

Boost for funding as long tap is exhausted

BY DAVID MARSH

THE GOVERNMENT'S fund raising programme received a boost yesterday as the Treasury's long tap stock was exhausted and its new short-dated tap received a better than expected response.

Strong demand for government bonds emerged yesterday in spite of publication of Treasury figures showing that central government borrowing in the first nine months of the present financial year was 28 per cent up on 1978.

The market was reassured by a Treasury statement that the first quarter this year would contain special additional receipts of around £1.5bn. The extra revenue—in the form of already announced payments of petroleum revenue tax and receipts from sales of public sector assets—is expected to give the Government a cash surplus in the first quarter.

As a result, central government borrowing for the whole of the financial year ending in March will probably be close to the Budget forecast of £9.6bn, even though a figure of around £9bn rather than the targeted £8.3bn is now generally expected for overall public sector borrowing in 1979/80.

Demand for gilts was spurred by this week's signs of a slowdown in money supply expansion as well as by some foreign buying.

Sterling fell slightly to $2.2595 yesterday from overnight $2.2665 in line with a generally steadier dollar. But it is still at around its highest for five months against the U.S. currency in spite of the steel strike. Yesterday the pound's trade-weighted index fell to 70.9 from 71.1.

The long dated stock to run out was 14 per cent Treasury 1998-2001. The £1bn issue got off to a slow start when first offered at the end of November, but about £400m seems to have been bought yesterday.

The stock sold out at a price of £96¼, but rose in after hours trading to £97⅛. Other government bonds were also more than one point higher on the day in after hours trading.

Offers closed yesterday for the shortdated stock announced last week, 14 per cent Treasury 1984. The Bank of England said that all tenders had been allotted in full at the minimum price of £96.50 per cent.

The market estimated that about £100m-£150m of the nominal £1bn issue had been sold—rather more than expected. Following the after hours jump in gilt-edged prices last night, the stock may meet significant demand when it starts trading this morning.

The Treasury's borrowing figures showed that central government borrowing from April to December increased to £10.1m from £7.8bn in the same period of 1978. Borrowing in December rose 12 per cent to £1.6bn compared with December, 1978.

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UK seeks damages over lamb

BY RICHARD MOONEY

BRITAIN IS demanding damages totalling nearly £20m to cover costs incurred because of the illegal French restrictions on lamb imports from the UK.

Mr. Peter Walker, Minister of Agriculture, said yesterday that depressed prices in Britain caused by the closure of the French market last August had resulted in payments totalling £8.7m under the fat sheep guarantee scheme, which ensures farmers a minimum return from sheep sales. In addition, British exporters had paid illegal French levies estimated to amount to £11m between January, 1978, and July, 1979.

In a letter yesterday to Mr. Finn Gundelach, the EEC Agriculture Commissioner, Mr. Walker said: "I look to the Commission, in accordance with its responsibilities under the EEC Treaty, to secure the recovery of these costs for the UK through the European Court."

Last September the court ruled that, under the Treaty of Rome, the French were not entitled to ban or impose special levies on British lamb. But the ban stayed in force until this week, when it was replaced by a prohibitive 43p a pound levy.

Mr. Gundelach, who was in London yesterday for talks with Mr. Walker, said the Commission was extremely concerned that this "clear and unequivocal" court order had still not been executed.

He said the Commission had no alternative but to proceed further at the European Court to see that the law was obeyed. He thought Britain's damages claim was within the competence of the court but said there was no precedent for an action of this nature.

Mr. Gundelach said he would seek further clarification of the situation during talks which he will have today at the French Farm Ministry in Paris.

So far the French have shown no sign of abiding by the ruling, though they have accepted it. Before they allow levy-free access for British lamb they want a guarantee that their farmers will be compensated for the lower prices they will receive as a result.

Mr. Gundelach has said this money would have to come from Community funds. Mr. Walker would prefer a domestically financed compensation scheme.

The wrangle over these "interim measuers" could be protracted as it affects many farm sectors, including the Italian sheep milk cheese producers. Meanwhile France can be expected to sit back secure in the knowledge that its lamb producers are well protected from the harsh realities of the open market.

Barre foresees more loosely united EEC, Page 3

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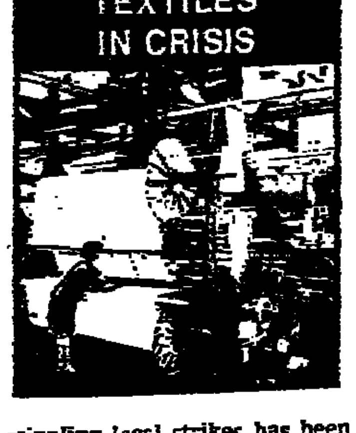
For latest Share Index phone 01-246 8026

Giles Merritt looks at an industry's struggle to regain competitive shape

France cuts its suit to match its cloth



"AN industrial Verdun" is the phrase used increasingly in France to describe the damage suffered in recent years by the country's textile and clothing industries.

Verdun is an emotive but apt term. It neatly sums up the industries' unacceptable losses sustained in the defence of a position from which there can be no retreat. The enemy, as elsewhere, has been foreign imports of low-priced goods into the French market—with the added worry that the bulk of these have come from inside the EEC.

The once powerful French textile industry has been bled down from around half a million jobs in the early 1970s to just 350,000 now. This year France's textiles and clothing producers face the possibility that for the first time over half their domestic market will be in the hands of non-French suppliers.

But Verdun should not be confused with Vichy. It carries no overtones of defeatism. France's textiles sector is currently launching a determined counter-offensive. The aim is to weld the more efficient of the 3,000 companies in textiles and clothing into a logical and complementary industrial framework. By the mid-1980s the French hope to have re-shaped what is still a traditional, 19th century-based industry into the textiles equivalent to their motor industry.

The fact that as much as three-quarters of France's FFr17bn textile imports bill comes from inside the European Community is the key to the new French strategy. Competing on an equal footing with Italy, West Germany and the UK is being identified as the top priority.

Companies grouped in the Paris-based Union des Industries Textiles are therefore co-operating in a three-point streamlining programme. Its targets are to cut costs by greatly accelerating the switch to automation, to launch new products capable of out-performing most imports and to integrate France's fragmented sub-industries into efficient vertical sectors.

Rivalries within the industry could still confound the planners, but in France Government-backed "dirigisme" is often remarkably effective. Equally, the French textile industry plan has a lot of ground to make up before it can be judged a success. During 1979 consumer demand in France fore textile products dropped a full percentage point from 1978 levels, while increasingly competitive imports last year boosted the 42 per cent share of foreign producers in 1978 to something approaching 50 per cent.

France nowadays represents 20 per cent of all EEC textile activity, but is a stagnating business in relation to French industry as a whole. Last year textiles notched up 106 on a production index set at 100 in 1970, whereas overall industrial production in France stood at 130. From 1975 onwards, losses in textile operations have led to the steady shrinkage of the industry. In 1977 it contracted by 2.4 per cent and in the following year by 3 per cent.

Gloomy as all these figures are, there is nevertheless a spirit of optimism at the top of the major corporations. Unsentimentally, French managements are stripping out jobs in uneconomical areas, and by 1985 the textiles industry may well be slimmed down to a payroll of nearer 250,000.

There is a spirit of optimism at the top of the major corporations. Managements are cutting jobs in uneconomical areas and by 1985 the industry's payroll may be nearer 250,000.

At the same time the industry's 1979-80 investment spending is outstripping France's other manufacturing industries. Investment is currently running at FFr 2bn a year, or 4 per cent of the industry's turnover. The French point out that, unlike the German or British textile sectors, over 90 per cent of this investment is being sunk in the domestic industry. Though French clothing manufacturers have foreign operations, notably in North Africa, the textile industry seems increasingly determined not to finance its own imports crisis.

Perhaps the best example of the French approach is to be found in Rhone-Poulenc, the chemicals giant. Its man-made fibres activity is crucial to the national textile chain, that succession of manufacturing operations running from petro-chemical processing right through to garment making-up. But Rhone-Poulenc Textiles has been a heavy loss-maker for the past five years. Last year's losses are put at FFr. 500m and for 1980 the forecast is that they will stand at FFr 250-300m.

Next year Rhone-Poulenc Textiles is aiming to break even, and to do so it has undergone a radical overhaul. Employment in France's dominant synthetic fibres producer is being cut from 14,000 to just 5,000. As part of that cutback, the company aims to boost productivity through new technology, so that its 5,000-strong workforce will have a yearly output of 220m tonnes of fibres, as against the level of up to 250m tonnes produced by almost three times as many employees.

It is also turning over as much of its output as it can to more sophisticated speciality fibres. Its senior management is certain that Rhone-Poulenc can no longer compete in the production of "banal" fibres but only on those with high added-value. It is now an axiom inside the group that the days of major man-made fibre production in Europe are over.

So far, Rhone-Poulenc Textile is about half way through its pruning drive. Six of its plants are shutting down and the payroll is now rather more than 10,000. By the latter half of the decade Rhone-Poulenc's textile activities will have been reduced from almost 20 per cent of total group turnover to 12 per cent.

A great deal of trouble and cost is being devoted to ensuring that the lay-offs sour labour relations as little as possible. Geographically, France's textile industry is highly concentrated, with 32 per cent in such traditional mill towns of the north as Lille-Roubaix-Tourcoing, a further 24 per cent runs in a belt along the eastern border and 21 per cent is centred on the Lyons area and the Rhone valley.

Rhone-Poulenc's answer to the problem of declaring plant closures without provoking crippling local strikes has been the creation of a special unit responsible for developing new industries capable of employing those made redundant. Its wholly-owned subsidiary SOPRAN (Societe pour la Rechere d'Activites Nouvelles) aims to attract new investment by offering price concessions on Rhone-Poulenc factory buildings and co-operating on retraining programmes.

The group naturally makes no cash grants to incoming companies, but so far about 20 new concerns have been attracted

In line with its strategy of concentrating of adding value to textile products, the French industry is involved in a bid to double the value of its exports. If it does so it will go a long way toward reversing France's widening textile trade gap. In 1978 38 per cent of France's textile output was exported, earning FFr 16bn, but imports were FFr 17bn. Last year's deficit is likely to be double that: projections show FFr 19bn in export earnings, but imports rising to FFr 21-22bn.

Poland to seek further $5bn in loans this year

BY CHRISTOPHER BOBINSKI AND ANTHONY ROBINSON

POLAND, WHOSE foreign debt equals or exceeds that of the Soviet Union but which lacks that country's gold, oil and other resources except coal, copper and sulphur, is hoping to raise a further $5bn from the international capital market this year to finance its trade deficit and service its existing debt.

Mr. Henryk Kisiel, the Polish Finance Minister, confirmed this in an interview with the Financial Times in which he said that difficult economic conditions in 1979 had put back by a year earlier hopes of reaching equilibrium in foreign trade by 1980 and a ceiling to foreign debt growth by 1981.

This year's gross borrowing target is roughly equivalent to the sum which Poland raised last year through Euro-currency borrowings, export credits and U.S. Government guaranteed Commodity Credit Corporation grain purchase loans.

Servicing cost

Last year's borrowing brought Poland's total outstanding foreign debt to an estimated $17.3bn. According to Mr. Kisiel, the average cost of borrowing was 10-11 per cent and higher interest rates last year added an estimated $100m to the debt servicing cost.

Asked to comment on the possible repercussions of the Afghanistan crisis on future borrowing, Mr. Kisiel said that, so far, Poland "has not had any signals implying that we would face any additional difficulties to those we faced before."

Poland's heavy borrowing to finance a decade of large-scale investment in Western technology has made it highly dependent on Western banks and access to Western markets. This has undoubtedly been a factor behind the leadership's rather embarrassed reaction to the invasion of Afghanistan.

Western bankers have indicated that their Comecon lending policies are now under review and that borrowing by East European countries is likely to be more difficult and more expensive in future.

Poland originally expected that its heavy borrowing and investment programme would have helped it to export more and repay debt earlier than has actually proved to be the case. Industrial problems and bad harvests have dashed earlier optimism.

Mr. Kisiel described 1979 as "one of the most difficult years since the war." He blamed the harsh winter for transport and energy supply problems which cut industrial growth to 2.8 per cent from the 4.9 per cent target. The poor harvest, furthermore, placed an additional strain by necessitating the import of 9m tons of grain compared with the 5m tons originally forecast. Both combined to push overall economic growth well below the already modest 2.8 per cent target, he said.

According to the placing memorandum prepared by Poland for last year's $550m general purpose loan arranged by the Bank of America, the trade deficit last year should have been only $660m. But economic stagnation at home and the unplanned $600m increase in grain imports meant that the actual trade deficit was $800m more than planned at $1.4bn. This was in spite of a substantial rise in hard currency earnings to $6.9bn from $5.5bn in 1978, Mr. Kisiel said.

This is only a "slight reduction" from the 1978 deficit and has put back by a year the target date for the levelling off of Poland's foreign debt.

Strong denial

Mr. Kisiel strongly denied Western reports that Poland had sought to re-schedule some debt.

"Throughout the year, we repaid our obligations punctually and asked no one for re-scheduling or a moratorium," he stressed. This year Poland is aiming to reduce the trade deficit by around $1bn to some $300m-$400m and hard currency export earnings of $7.8bn-$8bn are planned.

Poehl warns of big OPEC cash problem

BY JONATHAN CARR IN BONN

A WARNING that the international financial system will face a still bigger challenge in recycling the OPEC surpluses in the 1980s has come from Herr Karl Otto Poehl, new president of the Bundesbank, the West German Central Bank.


Herr Poehl: difficulties of surpluses

Herr Poehl made the point in a lengthy television interview during which he also ranged over the problems of domestic monetary policy, inflation and gold. It amounted to the broadest statement of his thinking since he moved from the vice-presidency to the top Bundesbank position at the start of this month.

Commenting on the impact of the recent large oil price increases, Herr Poehl said he felt the financial system would prove flexible enough to finance the bigger deficits in the non-OPEC world this year. For one thing, the International Monetary Fund was in a stronger position to be of aid than it had been during the 1974-75 oil crisis.

But he also noted that OPEC was likely to have a surplus of between $60bn and $80bn this year alone—on top of an accumulated surplus already totalling more than $200bn. This constant accumulation would present even more grave problems in the course of the next decade.

One question was whether OPEC itself would move to restrict oil output on the grounds that it could find no sensible investment for its additional funds. Herr Poehl noted that both Iran and Britain had taken decisions implying there would be less initial oil production than had once been planned, with supply stretched over a longer period. He called this action rational, but asked what would happen if many other OPEC members followed suit for financial reasons.

Herr Poehl stressed that the Bundesbank had no alternative but to counter the added inflationary impact of the oil price increases through a tight monetary policy—just as it had done in the 1970s after the first major oil shock.

However, a successful attack on inflation (currently close to six per cent at an annual rate) implied also that the Government was able to check its indebtedness and that reasonable settlements were reached in the current wage bargaining round. If all played their part, the worst inflationary damage could still be avoided.

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Barre foresees more loosely-linked EEC

BY DAVID WHITE IN PARIS

THE EEC is moving towards a looser form of co-operation than the ties binding the original six members, M. Raymond Barre, the French Prime Minister, said here yesterday. His remarks, made at a business conference, hinted at different categories of EEC membership as a result of enlargement.

They also seemed to lend force to recent reports that the French Government may be thinking in terms of a special associate status for Britain in view of divergences over agriculture and other aspects of Community policy.

The UK's wrangle with its partners over the size of its budget contribution was not merely an issue of pounds and pence, M. Barre said, but brought into question the maintenance of the principle whereby the EEC disposed of its own resources. The type of co-operation enshrined in the Treaty of Rome, with institutions that were implicitly "federalist," had come to grief.

The original members should not give up anything of what they had achieved so far, but the EEC as a whole was clearly moving progressively towards a more "confederal" model. New forms of co-operation were evolving, whose workings would be less institutional, more functional and more elastic.

With the imminent entry of Greece, Spain and Portugal, the EEC could no longer rest on mechanisms which were equally binding on all members, said M. Barre, himself a former EEC Commissioner.

Addressing a conference on prospects for the 1980s, he was optimistic on progress towards greater currency stability. This would be brought about through an improvement in the position of the U.S. dollar and better international monetary co-operation. He reiterated the priority given by the French Government to the stability of the franc within the European Monetary System.

M. Barre warned French companies that continued moderation in wage increases was imperative this year. They could not expect Government aid to help them out of difficulties caused by bad management. The Government aimed to bring the inflation rate back down to single figures this year after a final figure of about 11.5 per cent in 1979. The underlying inflation rate last year, leaving out the effects of higher energy costs, was 8.5-9 per cent, and the degree of price slippage was less serious in France than among her partners. M. Barre rejected as over-pessimistic an inflation forecast of at least 11 per cent this year, contained in an opinion poll of business leaders.

Sweden's shipyards face more closures

By William Dullforce in Stockholm

THE BOARD of Svenska Varv, the state shipbuilding company, yesterday tabled a five-year retrenchment plan for Swedish shipyards which is likely to cause a political storm for the non-Socialist Government. The plan has already been rejected by employee representatives on the Board and by the metal-workers' union.

Svenska Varv wants to close the large Oresund yard in Landskrona and the small Finnboda yard in Stockholm. That would leave three major yards, but their workforces would be cut.

The plan calls for an overall reduction of 7,920 in a workforce of 20,000. The group has already cut employment at its yards by 9,000 since 1976.

In addition the Board is seeking a further SKr 6.5bn (£7bn) from the Government for restructuring. This includes new equity capital of SKr 2.8bn, SKr 800m for product development, SKr 1.2bn to cover the losses of the remaining yards during the restructuring process, SKr 700m to finance the closure of the Oresund and Finnboda yards and SKr 650m to write down the yard's assets.

The group lost more than SKr 2bn pre-tax each year in 1977 and 1978. In November it signalled an operating loss of SKr 625m for 1979, which would imply an overall pre-tax loss of around SKr 1.5bn. The latter figure, however, includes the Kockums yard in Malmö, *the last major privately owned* yard taken over by Svenska Varv last year.

The government has spent SKr 12.5bn on shipyards during the past three years. Svenska Varv's call for further finance came on the same day that the Government tabled its 1980-81 budget, in which it announced that it would cut severely its support for industries in trouble.

The government is due to table a new shipyards Bill in the spring. It may not be able to accept the Svenska Varv board's restructuring plan because a rebellion by only one MP would deprive it of its one-seat majority in the Riksdag (Parliament).

Swedish shipyards which have already seen the loss of 9,000 jobs in three years are expected to lose a further 7,920 out of the 20,000 remaining if the state shipbuilding company's five-year retrenchment plan goes ahead.

A demonstration to protest against the Svenska Varv plan is due to take place today in Landskrona, a small west coast town, where the yard provides 40 per cent of jobs. Some 2,840 *people would become redundant* there.

Employee representatives on the board have asked the Government to instruct Svenska Varv to maintain employment at the Oresund yard in Landskrona and to approve long-term refinancing of the group.

In addition to the closures, Svenska Varv's plan would cut employment at the Arendal yard in Gothenburg by some 1,500 and would switch the labour to making offshore constructions and pre-fabricated factory plants. Employment at the smaller City yard in Gothenburg would also be reduced by 900.

Gothenburg, Sweden's second city, has been hardest hit by the collapse of the Swedish shipbuilding industry. Eriksberg, one of the big yards, has already shut.

It is intended that the Uddevalla yard should concentrate on building tankers, bulk and product carriers and its output would be maintained during the five years of the plan. Some 100 jobs would be lost there.

The Kockums yard at Malmö would continue to build the gas and chemical carriers in which it has specialised but would diversify into pre-fabricated factories and build some bulk and product carriers. Its workforce would be cut by 1,880.

The number of jobs in the Karlskrona yard, which specialises in naval vessels, *would decline from 1,550 to* 1,250 but this yard is thought to have sufficient orders in hand or in sight to enable it to maintain its current production level.

Pay frozen for two months in Netherlands

BY Charles Batchelor in Amsterdam

THE DUTCH Government yesterday froze wages for two months to allow it to draw up a programme to meet worsening economic problems. Mr. Dries van Agt, the Prime Minister, announced the freeze, which took immediate effect, after a three-hour meeting with unions and employers failed to produce agreement on a voluntary standstill.

The decision was taken despite government doubts about its effectiveness and comes just as the 1980 wage round is starting.

The freeze will apply to an interim agreement reached on Wednesday by the food industry unions for 22,000 workers in the meat processing sector. This agreement, which would have run to the end of April, gave extra payments for unpleasant work and was intended to get round the threatened wage freeze.

The Government has compromised on its original intention to freeze wages for three to four months. Parliament's approval is not necessary for the measure which can be taken "if the economic situation justifies it," a Social Affairs Ministry spokesman said.

The opposition Labour party said, however, that it will seek an emergency debate when Parliament reassembles later this month. Unions and employers opposed any intervention by the Government in wage bargaining, seeing it as a threat to their own autonomy.

Denmark facing an 'abyss' says Central Bank chief

BY HILARY BARNES IN COPENHAGEN

Mr. Hoffmeyer: loss of international respect

THE GOVERNOR of the Danish central bank, Mr. Erik Hoffmeyer, said yesterday that Denmark was on the way to an "economic abyss" and had lost international respect because of its increasing balance of payments deficit.

In an article with the newspaper Berlingske Tidende, he said that Denmark was losing its freedom to act in financial policy because of heavy borrowing abroad. The country was forced to maintain extremely high interest rates averaging about 18 per cent on long-term lending.

"It is depressing to experience how we are increasingly regarded as economically irresponsible, and this, of course, affects the evaluation of the views we put forward on other political issues."

Denmark had reached three of the six stages of self-destruction. In the third stage "we lose credibility when we explain year after year that we now have a plan in preparation to reduce the external deficit by so and so much and then it turns out that the deficit the following year is just as big or bigger."

In the next stage the country would have to ask the European Economic Community or the International Monetary Fund for assistance, and in the fifth stage, private creditors would refuse to lend more. Finally, political instability would follow, he said.

Francis Ghiles in London adds: A number of bankers doubt whether Denmark would be able to get a prime rating from U.S. rating agencies were it to try to raise a bond in the United States.

Denmark is one of the larger borrowers among Western European countries on the international capital markets. Last year it raised a total of $1.8bn worth of loans and international bonds.

When raising Deutsche Mark bonds, Denmark has to pay about ½ per cent more interest. In the Swiss franc sector bonds the extra interest was to be ½ to ¾ per cent.

The very quantity of Danish *paper in the market is behind* the higher rates, according to bankers.

Denmark has never tested to date the New York capital market.

IG-Metall demands 10% rise

By Jonathan Carr in Bonn

WAGE BARGAINING began yesterday in West Germany's key 3.5m-strong metalworking sector, with management describing trade union demands as far out of line with economic reality and saying it is ready for a long negotiating haul.

The leader of the employers' organisation, Gesamtmetall, Dr. Dieter Kirchner, said the demand by the union, IG-Metall, for increases of up to 10.5 per cent had already been excessive when announced in early December. Since then the new oil price rise and the Afghanistan crisis had reduced still further economic growth prospects for 1980.

Most West German collective agreements last year brought increases in wages and salaries of between 4 and 5 per cent. But with inflation *now edging towards the six* per cent mark at an annual rate, the IG-Metall leadership clearly felt it had to take a much tougher initial negotiating line.

Turkey committed to West—Carrington

BY DAVID PALMER IN ANKARA

TURKEY'S ANALYSIS of the situation in Afghanistan was described as identical to Britain's by Lord Carrington, the British Foreign Secretary, at the conclusion of a 24-hour visit yesterday.

The new Turkish Government of Mr. Suleyman Demirel has impressed *the British team with* the degree of its commitment to the NATO Alliance and to the Western world.

"My main impression was Turkey's strong adherence to the Alliance, symbolised by her agreement to host the next Ministerial meeting of NATO in Ankara in May," Lord Carrington declared.

The Turks have expressed to the British their support for the integrity of the countries in the region, and in particular for the co-ordinated actions being taken to defend Pakistan against further encroachment by the Soviet Union.

Yesterday Lord Carrington spent an hour talking with Mr. Demirel, following a series of discussions with Mr. Hayerttin Erkmen, the Foreign Minister.

There are widespread fears here at the implications for Turkey of a break-up of Iran. Any move by either the Iranian Kurds or the Azerbaijanis to secede from Iran with Russian support would exacerbate an already difficult situation in Turkey's eastern region, and particularly among its 5m to 7m Kurdish population.

Mr. Demirel outlined to the British team his programme for restoring the Turkish economy, whose foreign debt totals some $14bn.

Lord Carrington left Ankara *yesterday for Oman. From* there, he will travel to Saudi Arabia, Pakistan and India.

Warning for Spain on EEC

By Our Brussels Staff

FOUR SPANISH industrial sectors are likely to benefit when Spain joins the European Community, according to a report released in Brussels yesterday. But a further three important industries are regarded as borderline cases that may derive some advantage and two are seen as possible victims.

Steel, textiles, footwear and chemicals and petro-chemical activities are pinpointed as areas where Spain can expect to compete effectively inside the Common Market. Ceramics, paper and toys are also capable of holding their own but shipbuilding and the motor industry are risk areas.

The study has been prepared at the request of the European Commission by European Research Associates, a Brussels-based research unit, and, in *effect, gives a warning that* the Spanish Government should not be pressed too hard during the detailed membership negotiations that will take place this year. The authors conclude that Spanish industry will have more difficulty adapting to the EEC than will the Nine in increasing sales to Spain.

The report makes plain that the considerable achievements of Spanish industry in recent years tend to disguise the problems that exist. Spain's unemployment and inflation levels are higher than the EEC average, internal demand is slack and Spain is even more dependent on imported energy than the Nine.

The twin industrial priorities of Spain in the coming years will be to raise productivity levels, and to increase the added value of goods. Present unemployment levels of 8.7 per cent can only be pegged at that high rate if the Spanish economy grows at 5 per cent a year.

"Spanish Industry and the Impact of Membership on the European Community," European Research Associates, 39 Bd. Clovis 1040 Brussels, BFr 9,500.

Commission steps up its farm curbs campaign

BY JOHN WYLES IN BRUSSELS

THE European Commission is launching its bid to pull the EEC out of its budgetary crisis with a timetable aimed at putting maximum pressures on member Governments to curb runaway agricultural spending. For several years, the Commission's aim for more austerity on the agricultural front has been thwarted by Governments which have boosted farm-price spending by 20 per cent a year for the last five years, with the result that it consumed 75 per cent of the EEC budget last year.

But it is believed here that opportunities for a clamp-down are now excellent, following last month's rejection by the European Parliament of the £11.3bn draft 1980 budget because Ministers would not grapple convincingly with the agricultural problem.

The Commission has now decided to adopt a so-called rectifying budget on February 13 which will incorporate its farm-price proposals for 1980-81 to *be completed a week earlier.*

Much could depend on the Commission's farm-price proposals. Hawks within the Commission are arguing for a price freeze, but current indications are that overall increases of between 2 and 3 per cent may be tabled.

Mr. Christopher Tugendhat, the EEC Budget Commissioner, implied support for a hard line in a speech to the National Farmers' Union in Stafford yesterday. He urged Ministers to tackle the problem so the burden of cost-cutting was borne equally by producer-countries. He also highlighted Commission proposals to reduce the costs of surpluses of dairy products, sugar and beef. These proposals are currently being closely examined by permanent officials, who are seriously questioning the Commission's claim that they will save £650m (1bn units of account) in a full year.

Devolution compromise saves Martens coalition

BY GILES MERRITT IN BRUSSELS

THE BELGIAN Prime Minister Mr. Wilfried Martens, yesterday averted the collapse of his *coalition government* and brought to an end the week-long political crisis that had threatened to provoke his resignation.

To avoid the walkout of two of the three francophone parties in his fragile six-party coalition, Mr. Martens has been forced to shelve the controversial devolution programme that triggered the crisis. Ironically, he has been able to defuse this latest outbreak of the "language war" between Belgium's Dutch-speaking Flemings and francophone Walloons by abandoning the federalisation scheme that was designed to bring peace.

Emphasising that Belgium's top priority was to have "a government that can govern," Mr. Martens announced yesterday that a heavily diluted devolution plan is to replace the one that would have given self-governing powers to Flanders, Wallonia and Brussels itself.

For the next two years, the northern Dutch-speaking Flanders region and francophone Wallonia to the south will *have very limited cultural and economic autonomy. Brussels is* excluded altogether.

U.S. WIELDS THE TRADE WEAPON

Russia doubts West's determination to restrict exports

To be effective, the U.S. ban on high technology exports to the Soviet Union needs support of other Western nations. So far, they have not committed themselves. FT correspondents analyse the possible implications

SOVIET SCEPTICISM about the willingnes of capitalist countries to curtail their trade with communist countries willingly finds its ideological justification in Lenin's assertion that capitalists could always be counted upon to sell even the rope which would be used to hang them.

Using their position as monopoly purchasers Comecon negotiators have also developed to a fine art the practice of pitting one potential supplier against another to obtain both the best conditions and access to as much free technological information as possible. They are also major subscribers to western technical and specialised journals of all kinds and have invested vast sums in their own technical education systems.

In spite of this, the speed and extent of autonomous technological development, outside the military field, has lagged behind the West over a wide range of industries and applications. Closing the technology gap has been the main priority of Comecon planners when allocating scarce hard currency resources for imports.

The accompanying table indicates that West European and Japanese companies have played the biggest role in exporting to Comecon. Their relative weight in the industrial and technological field is enhanced by the fact that a high proportion of U.S. sales to Comecon is accounted for by exports of grain and agricultural products.

It is that which lies behind President Carter's appeal for other Western countries to back up the U.S. decision to restrict high technology exports by agreeing, at least, not to supply computers, oil-related and other equipment which would otherwise have been supplied by U.S. firms.

Sales of a restricted list of strategic products have long been subject to approval by the 18-nation, Paris-based review body COCOM whose main duty is to assess the potential military applications of some proposed export items.

But Britain and other Western countries are now conducting a review of their East-West trade. The NATO countries are expected to meet next week, probably at deputy Foreign Minister level, to consider the latest U.S. moves and what action, if any, should be taken to back up the U.S. trade and credit policy.

The list of high-technology goods imported by the Soviet Union and its Comecon partners is a long, but highly selective one. Computers, electronic equipment, chemicals and energy-related plant are among the most important. The U.S. accounted for half of all computer exports in the 1972-1977 period plus 63 per cent of spare parts and one third of peripheral equipment exports. West Germany and Britain tied for second place, supplying 17 per cent of the computer market each.

Carter . . . resolute

Brezhnev . . . unbowed

European compensation agreements in the energy field have led to long term oil and gas supply contracts in return for Italian, West German and Japanese steel pipes, pumping, measuring and construction equipment. Rolls-Royce also headed the British Cobberow consortium which recently supplied £100m of lightweight gas turbine compressors and pumps.

What the Soviet Union, in particular, is looking for in the 1980s and beyond is the sort of sophisticated drilling equipment, gas-lift and other recovery methods perfected by the U.S. and the sort of off-shore drilling know-how accumulated by British and other companies in the North Sea.

A number of major projects are already in the pipeline for which the Soviet Union will have to turn to the West for technology. The contract for one of these—the $252m Novolipetsk electrical steel project was awarded last month to Armco of the U.S. and Nippon Steel. It is not clear whether this deal falls within the U.S. high technology ban.

A second project at an advanced stage of negotiation and for which contracts are due to be announced over the next few months is the $300m project for deep sea drilling platforms for oil exploration in the Caspian Sea. Three Western consortia have been negotiating for this contract—a consortium comprising Wimpey, Brown and Root of the U.S., and British Petroleum, a French consortium headed by Technip and a joint bid by Mitsubishi and McDermott of the U.S.

Another project for which the Soviet Union has requested bids from Western companies is the $1bn project to exploit sour gas deposits near Astrakhan. Companies from which the Soviets have asked for bids are Pantec-Lavalin with Creusot Loire, Davy Power Gas, Alberta Gas Trunk, Mannesman, Lurgi, Mitsubishi and Parsons, Technip and SNPA, Occidental Petroleum, Nippon Steel and Fluor.

PRESIDENT CARTER, in announcing a review of export licences to the Soviet Union, has in effect put on ice the whole of U.S.-Soviet trade in manufactured goods.

This was the tentative assumption of U.S. business yesterday after the White House announced on Wednesday that during the next four weeks, an inter-agency task force will sift through all outstanding high-technology transfers from the U.S. to the Soviet Union.

The existing definition of high technology used in compiling the Commerce Department's list of the 742 Soviet trade licences issued last year covers a vast range of hardware specified in a 60-page book describing items which could be regarded as militarily useful to the Soviet Union.

The Department would not yesterday name companies and contracts at present licensed to export goods to the Soviet Union, but it was clear from this Commodity Control List that most categories of goods could be embargoed if the President wished.

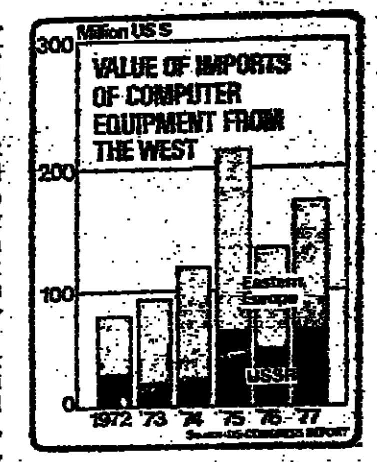
The main headings of the list are electronics goods, metal working machines, chemical and petroleum equipment, general industrial equipment, power generation equipment, transportation equipment, precision instruments, metallurgical hardware, and rubber products.

The value put on exports of U.S. manufactured goods to the Soviet Union last year was $600m, of which the high technology component is variously estimated at between $200m and $400m.

MAIN WESTERN EXPORTS TO EASTERN EUROPE
(First half 1979 in dollars)

	UK	W.Ger.	France	Italy	U.S.	Japan
Bulgaria	26	173	68	56	31	21
Czechoslovakia	73	453	71	63	83	15
GDR	59	1,665	178	76	139	66
Hungary	61	580	111	127	42	26
Poland	300	383	337	179	290	162
Romania	75	591	273	148	258	100
USSR	434	1,684	966	482	1,438	1,288
Yugoslavia	178	1,504	338	551	359	46

Source: OECD



Carter's tactics displease business, but shift welcomed

BY STEWART FLEMING IN NEW YORK

U.S. businessmen and bankers are privately showing mounting concern at the Carter Administration's tactics in intervening directly in international financial and trade relationships to achieve its foreign policy objectives.

However, the broader shift in U.S. foreign policy, with its greater emphasis on the security of energy supplies from the Middle East and higher defence spending, is being welcomed.

The tightening of restrictions on U.S.-Soviet trade in grain and high technology products, in retaliation for Moscow's invasion of Afghanistan, represents the second time in as many months that President Carter has turned to a strategy of intervention.

The earlier case was the Administration's move in November to freeze Iranian assets in U.S. banks, following the takeover of the U.S. embassy in Tehran and the seizure of its employees as hostages. The freeze was extended to cover foreign subsidiaries of U.S. banks, and the U.S. now wants its allies to take further economic moves against Iran.

Businessmen might be expected to react violently to such intervention in their markets. Indeed, European bankers are said to have been outraged by the freeze on Iran's assets, particularly the extra-territorial component.

But in the U.S. businessmen and bankers have for the most part been remarkably silent so far. In the case of the Iranian freeze this is partly because some of the more exposed U.S. banks appear to be protected in recovery of their loans to Iran by their holdings of Iranian deposits.

However, there is no doubt that there is growing concern about the Administration's use of trade and finance in pursuit of its foreign policy objectives.

The clearest public statement of this mood came earlier in the week in an editorial in the Wall Street Journal. It accused the Administration of "funk" of being unwilling to employ the obvious tactic "of building a better military deterrent" and instead being attracted to economic warfare because "there is nothing much involved but money."

On top of this, many business leaders are, to quote the head of a leading New York investment bank, "distressed" by the trend towards the use of economic weapons. For a variety of reasons, as one executive put it, this concern is not now being communicated through the "normal" business sources." But he expects a growing debate on the issue to develop in the coming months.

Businessmen generally are of course anxious to demonstrate the unity of the nation in the face of the Soviet challenge. They fear that criticism will be interpreted as unpatriotic, as the complaints of a group more concerned about profit than the security of the country. They also recognise that trade in technology represents only a tiny proportion of U.S. companies' business with the USSR.

But among businessmen showing restraint are those who also see a positive side to the U.S. response. At a recent meeting of the Business Council, a group comprising senior executives of most of the largest U.S. companies, there were expressions of concern about the security of Middle East oil supplies and the inadequacy of defence spending, particularly on conventional arms.

Recent moves by the Administration which can be traced as a response to Middle East developments—in particular the decision to step up defence spending, and the approval of a new jet fighter for export only—are thus seen as positive reactions by the President.

To some extent, therefore, the restraint in voicing criticism of some of the tactics being employed over Iran and Afghanistan reflects approval of the broader shift that appears to be underway in foreign policy.

"I do not see any benefits in the short term in the economic order for business, but I do see benefits in world relationships if the leadership of the U.S. is respected," is how one executive puts it.

One of the most common lines of direct criticism over the Administration's use of economic weapons, however, dwells on fears that trade restrictions will be easy to circumvent, and anxiety about whether allies will support such steps.

There is also concern over the haste with which President Carter's initiatives seem to have been taken. Indeed it now appears that the Administration itself did not fully appreciate the financial and market implications of the grain embargo when they made the initial decision.

An even more pronounced worry focuses on the very real threat that President Carter's moves will simply backfire. The Administration was forced to close the futures market and announce a $2.5bn support operation for the grain industry because farmers, grain traders and exporters were facing some disastrous losses with a halt in grain shipments.

In the longer term it is feared that the whole mid-Western farm economy could suffer because of the removal of so major a purchaser as Russia, the effects of an expected cutback in acreage next year and the impact of continuing soft prices.

Some farm leaders have even said publicly that the export cut-off will do more harm to the U.S. economy and the balance of payments than to the Soviet Union.

Bankers have put forward similar arguments about the risk of the Iranian assets freeze. It is argued that the freeze may only encourage oil exporting countries to diversify away from the dollar and curtail their business relationships with American banks.

There are fears too about retaliation from the Soviet Union, perhaps through its allies in the Eastern bloc who are big borrowers from U.S. banks. Other bankers feel, however, that leaders in these countries will be sufficiently concerned about their continuing access to Western finance to make them reluctant to disturb their relationships.

The expansion of international trade and financial relationships in recent years appears to have increased the opportunities to employ economic sanctions in pursuit of foreign policy objectives. But the increasing complexity of those relationships, and the generally unstable conditions in world financial markets, makes it harder to estimate both the likely effectiveness of such measures and the potential repercussions.

AMERICAN NEWS

Soviet ships diverted to avoid ban

BY IAN HARGREAVES IN NEW YORK

U.S. DOCKERS were yesterday completing loading and unloading of the six Soviet ships in U.S. ports, but were planning to boycott the 34 ships due to arrive in the next 30 days.

Some Soviet ships have already been diverted by their agents from calls at U.S. ports following the ban on handling the ships announced on Wednesday by the International Longshoremen's Association.

The ban, thought to be the most comprehensive of its kind ever imposed by the dockers' union on a political question, is a sharp blow to the Russians, who have built up a significant share in U.S. shipping trade.

Soviet ships carried 15.8m tonnes of cargo to and from U.S. ports in 1978, the latest year when figures were available. Most of the cargo was grain destined for the Soviet Union (14.4m tonnes) but the Soviets also had a 40 per cent share in bilateral liner cargoes, amounting to 407,000 tonnes.

The Soviet fleet also controls 4.1 per cent of total U.S. liner trades, most of which is trade in which the Soviet Union is not directly involved. The growth of Soviet third party shipping trade has been a subject of acute political concern in the U.S. and has led to previous action by the longshoremen.

In 1978, the union's members at several ports launched spot boycotts of Soviet vessels in protest about the shipment of a consignment of German buses to the U.S. in Soviet ships. Under U.S. law, half of any federally financed contract should be shipped in U.S. vessels.

This action was limited in effect by successful Soviet legal atcion in U.S. courts against the ban, but the union leadership has made it clear for some years that it would be willing to participate in anti-Soviet moves. One minor result of the ban will be the interruption of schedules of Soviet cruise liners, many of which make calls at U.S. ports

Wholesale prices show small rise

By Our Washington Correspondent

THE U.S. inflation rate at the wholesale level ended last year on a slower tempo, and with the prospect of a mild economic recession. Government officials believe this imprivement might be sustained in the first half of 1980.

Wholesle prices rose 0.8 per cent in December, the smallest monthly increase since last June, the Commerce Department reported yesterday. The wholesale index is an indication of what consumers will shortly pay in shops, though it excludes factors such as services.

The December increase was well below the November 1.3 per cent rise and behind the average 1.1 wholesale monthly increase between July and October. Nevertheless, the wholesale index rose 12.5 per cent over 1979, the steepest jump since 1974 when oil prices tripled.

The U.S. inflation rate is a key determinant of the international value of the dollar, under some pressure recently because of the flight into gold. The Labour Department said a 17.7 per cent rise in precious metal jewelry prices was the biggest factor in last month's wholesale index gain. As this is a discretionary item for consumers, the Administration regards this as less worrying than price rises in essentials such as food and energy.

Administration economists now temper their hope for an inflation improvement with much caution, in view of last year's sorry performance on price rises.

Carter strives to repair fences

BY DAVID BUCHAN IN WASHINGTON

THE CARTER Administration is striving, with the Iowa Presidential caucuses now less than two weeks away, to limit the political damage to the President's re-election bid caused by his partial grain sale embargo on the Soviet Union.

Mr. Walter Mondale, the Vice-President, yesterday joined Mr. Bob Bergland, the Agriculture Secretary, in campaigning in Iowa. The state is part of the farm belt and generally dislikes the use of its food as a political weapon of American displomacy.

The cancellation of 17m tons in grain sales to the Soviet Union is being defended as a tough and necessary step. But the offer to buy all the grain previously contracted to be sold to Moscow has laid it open to the accusation that it is bailing out the big grain-dealing companies and doing little for the farmer.

Senator Edward Kennedy this week renewed his somewhat faltering campaign in Iowa, which selects its delegates to Presidential nominating conventions on January 21.

Repeatedly attacking the grain ban as hurting American farmers more than Russian consumers, Senator Kennedy certainly stands to gain from the fall out of the President's action.

The outcome may depend in part on whether grain prices on the U.S. commodity exchanges, which fell on Wednesday when the markets re-opened, pick up or stabilise before polling day.

By also curtailing the sale of sensitive manufactured exports to the Soviet Union and temporarily revoking export licences on Wednesday, the Carter Administration has in addition sought to show farmers that other sectors of the U.S. economy were being required to share the burden of standing up to Moscow

The miltiant Administration mood towards Moscow has been evident in a series of retaliatory measures, economic and diplomatic. Yesterday, the State Department said a round of chemical warfare control talks with the Russians, due to take place this week in Geneva, had been postponed.

Quebec Liberals' language offer

BY ROBERT GIBBENS IN MONTREAL

MR. CLAUDE RYAN, Quebec's Liberal Party leader, yesterday delivered his answer to the Levesque Government's proposal for the province's sovereignty-association, and made a commitment to offer a free choice on the language of education issue.

Mr. Ryan proposed a new confederation and new constitution which would abolish the senate in Ottawa and replace it with a Federation Council. This would represent the provincial governments and they would have the right to veto major legislation and appointments. Quebec would have 25 per cent of the membership.

Under the proposals French and English would remain the official languages of all federal institutions. They would become the languages of the courts and legislatures in Ontario and New Brunswick as well as Quebec and Manitoba.

Provinces would have jurisdiction exclusively over education, manpower, family and divorce law, social welfare and pensions, and would also control all natural resorces.

It is not clear how the Liberals would redeem their commitment on the language issue. The French Language Charter prevented a choice being made by francophones and anglophones who entered Quebec from mid-1977.

Mr. Ryan appears to be making a commitment to free choice of French or English language schooling for children.

This is a separate issue from the status of English at present in the Quebec legislature and courts. Late last year, the Supreme Court of Canada found that under the existing constitution, the British North America Act, both French and English, are official languages in the Quebec legislature and courts.

The Government had passed a large body of laws in the initial assembly saying that French was the only official language and with an unofficial English language translation. After the Supreme Court decision, it had to pass an omnibus Bill raising the status of the translation from unofficial to official in accordance with the High Court decision.

Bill 101 affects francophones in Quebec, because in effect, they cannot exercise a choice to send their children to the publicly financed English language school system. Only children of parents educated in English in Quebec can continue to attend the English school system.

WORLD TRADE NEWS

Railway spending likely to rise 22%

By Lynton McLain

CAPITAL SPENDING on railways in the non-Communist world is expected to rise to £14.6bn this year, according to a survey published this morning.

The investment represents a rise of over 22 per cent compared with capital spending on railways in 1979. Investment in Europe is forecast to reach £4.6bn and in the U.S. is likely to rise by 10 per cent to $5.5bn this year.

The German Federal Railways top the capital investment league table in Europe, with planned expenditure of £1.19bn.

The French National Railways account for £730m and the Italian State Railways for £474m of planned spending. But the International Railway Journal, which compiled the figures, said the Italian total does not include the cost of 50 new diesel locomotives 530 passenger coaches and 2,400 freight wagons.

British Rail, which has a fixed investment ceiling of £316m, is expected to spend less on new equipment than Belgian National Railways (£389m) and Spanish National Railways (£354m).

Non-Communist world railways outside the U.S. plan to buy more than 1,000 main-line locomotives, 4,600 passenger coaches and 41,000 freight wagons.

In the U.S., more than 60 per cent of planned total expenditure or about $3.5bn will go on investment in new freight wagons.

In Europe, a quarter of planned spending is for track modernisation, 10 per cent on the construction of new rail lines and 10 per cent on new passenger coaches. Less than 5 per cent of European investment will be spent on new freight wagons.

Investment in German Federal Railways has been at a high level for some years.

A separate survey shows that demand for rapid transit systems is continuing. The Paris Metro is spending £243m this year, half of it on new lines and new trains. In comparison, investment in London Transport is budgeted at £68m.

Total spending in 50 major cities on rapid transit systems is expected to reach £3.2bn this year.

Iran plans to quadruple price of gas to Russia

BY SIMON HENDERSON IN TEHRAN

IRAN HAS asked the Soviet Union to pay more than four times as much for the gas Iran supplies by pipeline to the southern Soviet Republics of Georgia, Azerbaijan and Armenia.

Mr. Ali Akbar Moinfar, Oil Minister and head of the National Iranian Oil Company, who is responsible for gas, told a Tehran magazine that Iran had proposed a new price of about $3.50 for 1,000 cu ft for gas exports. The present price is 74 cents for 1,000 cu ft.

It was known for many months that Iran was unhappy about the price it was selling its gas. The Soviet ambassador to Tehran had met Mr. Moinfar two weeks ago in what was described as the first part of bilateral negotiations over a new contract.

The Soviet Union will hardly be pleased with this proposed price increase. As it is gas supplies are believed to be only half the contracted volumes, and last year during the Iranian revolution the Igat-1 pipeline was closed down when oil production dropped. Factories and houses in the southern Soviet Union were forced to find alternative sources of energy.

Iran has previously said it believes that the present price for its gas exports is only a third of the world market price and often mentioned as part of its case, that Moscow pays higher prices to Afghanistan for gas from that country.

Observers believe Tehran's present crisis with the U.S. and the possibility of veiled Soviet support for its position by the use of its security council veto on sanctions will not change its attitude on gas prices. It is already part of Iranian policy, and officials have spoken of cutting gas exports completely by 1985.

Iran has, after the Soviet Union, the world's largest gas reserves. Until the revolution, work was continuing on a second larger pipeline, Igat-2, to the Soviet Union. This project worth $9bn involved a trilateral arrangement by which Western Europe would have received 60m cubic metres per day of gas from the Soviet Union by the mid-1980s. But this has now been cancelled.

It is not clear whether by winning a substantial price increase Iran will be prepared to continue gas export to the Soviet Union after 1985. The economic relationship between Moscow and Tehran would be expensive to break. There are a number of joint ventures including a steel mill in Isfahan, a power station at Ahwaz and a dozen large grain silos around the country.

British Aerospace in Peking

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE has set up its own office in Peking in order to exploit the possibilities of substantial new military and civil aerospace business between that country and the UK.

British Aerospace already has a firm foothold in China, having supplied, in the past, both Trident and Viscount airliners to the Chinese national airline, which are still being operated.

BAe believes that its current products, such as the One-Eleven twin-engined jet airliner, and the HS-748 twin-turbo-prop airliner could meet some of China's present air transport needs, while the Chinese are also known to be interested in the new BAe 146 four-engined feeder-liner, now under development.

China has also expressed strong interest in buying the BAe Harrier vertical take-off fighter. There have been extensive exchange visits between officials of the Chinese Government and British Aerospace through 1979.

British Aerospace will be making a big effort at the forthcoming British aircraft industry equipment exhibition in Shanghai from March 27 to April 5.

The group's Chinese representatives are Air Vice-Marshal Derek Stapleton, who is chief marketing executive for the Dynamics Group, responsible for guided weapons and space activities, and Mr. Peter Montyn, for the Aircraft Group, responsible for civil and military aircraft. They are based in the Peking Hotel.

Sanyo Electric pact with China

BY RICHARD C. HANSON IN TOKYO

SANYO ELECTRIC has reached a preliminary agreement with China on the creation of a joint manufacturing company in which Japan will hold the majority interest. The company, to be located near Shanghai, will produce compressors for refrigerators.

There remain, however, a number of important details to be settled before the joint venture becomes a reality.

China, for example, has yet to establish laws under which such a company would operate, although it set out the principle for joint ventures last year.

The Sanyo Group, a leading maker of electric appliances, is also seeking participation of other Japanese companies in the venture.

The two sides have agreed so far that the Y500m (£956,000) capitalisation will be 75 per cent Japanese and 25 per cent Chinese. The president will be Japanese, with a six-to-four ratio in favour of Japan on the board of directors.

In principle, the company will be able to remit freely profits, royalty payments and dividends to Japan, but China has not established the rules for such payments. China specialists say that establishing the legal basis for a joint venture could, in fact, take a long time.

Sanyo's aim is to produce 500,000 compressors starting in mid-1981 with about half being sold outside of China.

British Airways renews link with Rhodesia

BY BRIDGET BLOOM AND QUENTIN PEEL IN SALISBURY

BRITISH AIRWAYS flew into Rhodesia yesterday for the first time in almost 14 years, marking a major step in re-opening Britain's trade links with the former rebel colony.

The event was quoted by Lord Soames, the Governor, in underlining the prospects for the Rhodesian economy, when he appealed yesterday to the leaders of the Rhodesian business community to take a longer term view of the country's future.

The Governor told a meeting of several hundred businessmen, farmers and industrialists that Britain was hoping to reach an early agreement with its partners in the European Community on preferential treatment for Rhodesian exports. He also named eight countries which wished to open offices in Salisbury at an early date, including the U.S., Australia, France, West Germany, Italy, India, Greece and Portugal.

The British Airways Boeing-747 was the inaugural flight of a service which will operate twice weekly until April, as a stop-over on the London-Johannesburg route. Thereafter it will terminate in Salisbury. From April, Air Zimbabwe Rhodesia plans to introduce twice weekly flights to London by Boeing-707s.

Mr. Ross Stainton, the chairman of British Airways, said he believed there was potential for a rapid increase in services reflecting both tourist demand and business interest in Rhodesia—provided political stability was achieved.

Lord Soames underlined Rhodesia's economic potential and the wide international interest in both trade and investment in the country. He urged his audience to look beyond the immediate problems of the coming election and transition to independence.

His appeal was clearly aimed at reassuring the cuntry's largely white business community, which is worried about the prospect of any election victory by the Patriotic Front—particularly Mr. Robert Mugabe's Marxist-inclined ZANU wing of the alliance.

Lord Soames outlined progress made since the Lancaster House agreement, in disengaging the Rhodesian security forces and the guerrilla forces of the Patriotic Front, deploying the Commonwealth monitoring force, and assembling guerrillas, as well as improving foreign relations and opening Rhodesia's borders.

At the same time, he said, the problem of reconstruction in rural areas was an "immense challenge," and he urged businessmen to help with the rehabilitation of the thousands in the armed forces—both regular and guerrillas—by creating more jobs.

In Dar es Salaam: Leaders of three of the front-line states met in Beira, Mozambique yesterday and were expected to issue a joint statement calling on Britain to expel all South African troops from Rhodesia. The Presidents of Zambia, Mozambique and Tanzania may also comment on the deployment of Rhodesian security forces and on the failure of the Patriotic Front to present a common programme for the forthcoming elections.

Sadat disappointed by Aswan talks

BY ROGER MATTHEWS AND DAVID LENNON IN ASWAN

EGYPT AND ISRAEL are still deeply divided over the question of Palestinian autonomy and with time beginning to run out for the negotiations, the frustrations of President Anwar Sadat of Egypt was made evident here yesterday.

The latest sessions of talks between Mr. Sadat and Mr. Menahem Begin, Israel's Prime Minister, ended without any real progress being made.

Mr. Sadat voiced his disappointment at an airport Press conference when he said he had expected that he could agree during his meeting with Mr. Begin on directives to be given to their Ministers who are handling the detailed negotiations. Instead, Mr. Sadat stressed that differences between them remained on key issues.

With the two leaders having completed four separate meetings since the peace treaty was signed, Egyptian officials are privately wondering whether the gulf between the two sides can ever be bridged.

"I would have liked to make much progress," Mr. Sadat said, adding with characteristic optimism; "but we still have four months to agree on autonomy and on the question of Jerusalem."

Mr. Sadat said that more meetings would be needed if the May 26 target date for agreement on Palestinian autonomy on the occupied West Bank of the Jordan and in the Gaza Strip was to be met.

Dr. Boutross Ghali, Egypt's Minister of State for Foreign Affairs, said on Wednesday that peace with Israel would merely be a formal act without real substance if some progress could not be shown to the Palestinians

As at previous summits it was left to Mr. Begin to announce what he claimed as "an important agreement." He said Mr. Sadat had accepted that normal transport between the two countries would start on January 26, as specified in the peace treaty, and that the two national airlines would begin flights between Cairo and Tel Aviv on the same day. Postal, Telecommunications and telephone links would also be established then.

Mr. Begin appealed for patience over the Palestinian issue. The fact that autonomy was being negotiated for the Palestinians was a novelty, he said, and that, in itself, should be real encouragement for the Arabs on the West Bank and in Gaza.

Afghan claim on Pakistan border worries U.S.

BY DAVID BUCHAN IN WASHINGTON

THE U.S. State Department yesterday reacted with concern to a statement by President Babrak Karmal of Afghanistan, who said on Kabul Radio that no border existed between his country and Pakistan, and the issue remained to be settled.

Afghanistan's lack of acceptance of the Durand line as the border was something that "had worried the Pakistanis in the past, and must now worry them even more," a State Department official said. The border was drawn up by the British in the 1890s.

He noted that many previous Afghan governments had taken a belligerent territorial line towards Pakistan, but the issue was now of greater concern because of the presence of Russian troops in Afghanistan.

Reuter adds from Kabul: Several thousand Soviet troops have thrown a cordon of heavy armour around Kabul to protect the Afghan capital from rebels, diplomats said yesterday.

The troops have dug themselves in and positioned their tanks, armoured vehicles, helicopters and anti-aircraft guns. At Karga, southwest of Kabul on the road to Kandhar, Soviet troops were positioned on the hillside and valley for a stretch of nearly three miles. They had camouflaged tanks, armoured vehicles and anti-aircraft guns.

The Red Army presence on the outskirts of Kabul is formidable. Diplomats believe this is because the Soviet troops fear reprisals from Moslem and other rebels.

In Islamabad, Moslem guerrillas claimed today to have captured the important garrison town of Khost in the Paktia province of Afghanistan bordering Pakistan.

But there was no mention in reports reaching Pakistan from Paktia province that Soviet troops had been involved in the fighting there.

Reuter adds from Tokyo: Foreign Minister Saburo Okita dismissed as undesirable any tripartite co-operation between Japan, the U.S. and China against Moscow

"Since relaxation of world tension is vital to Japan's existence, it is not desirable for Japan to co-operate in any way with the U.S. and China in the context of confrontation with the Soviet Union because of the Afghan situation," he told the national press club here.

Saudi Arabia ready with basic government

BY RICHARD JOHNS, MIDDLE EAST EDITOR

A CONSULTATIVE council will be established in Saudi Arabia within the next two months, according to Crown Prince Fahd.

Formation of the new institution—first promised by King Khaled in 1975 soon after his succession—is to be on the basis of 200 basic provisions "all derived from Islamic legislation," the Saudi heir apparent said.

The provisions would make up a "basic system of government" but Crown Prince Fahd made it clear that they would not amount to a constitution, which, in the Saudi scheme, is the Koran.

The Crown Prince said that the provisions had been under preparation for a long time in line with the regime's determination that they should not be carried out haphazardly "but only after careful and complete study." He was speaking in an interview published in the first edition of the newsletter Focus on Middle East Events, an offshoot of the Beirut magazine Al Hawardess.

Although the Crown Prince did not acknowledge the fact, it seems that completion of the basic system may have been accelerated by the shock delivered to the regime by the seizure last November of the Great Mosque in Mecca by religious fanatics.

Crown Prince Fahd has been brought face to face with the problem of involvement in business and bidding for Government tenders by members of the Royal Family, Cabinet Ministers and officials. In recent years several of his close relatives, particularly his son Prince Mohammed bin Fahd, have been the subject of resentment and criticism score.

Pointing out that the Royal Family numbered several thousand people, the heir apparent said: "It is not possible that all of them are Government employees and officials.

"We cannot prevent those outside the framework of Government from practising free trade.

Crown Prince Fahd acknowledged that a new company formed by sons of Cabinet Ministers, some of them under the age of 10, had recently been formed and that its operations might be run by their fathers. He added that the matter was being dealt with.

S. Africa Ford strike ends

BY BERNARD SIMON IN JOHANNESBURG

THE TWO-MONTH strike by 500 black workers at Ford South Africa's Cortina assembly plant near Port Elizabeth has ended with the company agreeing to most of the strikers' demands.

Pressure from the U.S. Government and from Ford headquarters in Detroit is believed to have contributed to the settlement. The U.S. consul-general in Cape Town attended a meeting held yesterday between management and strike leaders to discuss the terms of the settlement.

Contrary to its earlier stand, Ford has agreed to reinstate all workers who were dismissed last year. The dismissals followed several days of unrest sparked off by the sacking of a black civic leader Mr. Thozamile Botha. Mr. Botha had refused a management ultimatum to curb his political activities.

One of the points of friction was the workers' claim that the black United Automobile Workers Union was not able to represent them effectively. Although union leaders were also present at yesterday's meeting, negotiations appear to have been conducted mainly with Mr. Botha and other strike leaders.

White workers, who had earlier protested against the concessions being made to black employees, have said that they are satisfied with the terms of settlement.

Industrial disputes have so far cost Ford about 1,400 units in lost production, the equivalent of nearly two week's sales.

Filipino opposition leader given permission to leave

BY OUR MANILA CORRESPONDENT

PERMISSION TO leave the Philippines for the United States has been granted to Benigno Aquino, the opposition leader who has been in jail for seven years because of his uncompromising criticism of President Ferdinand Marcos.

Mr. Aquino was imprisoned in 1972, and sentenced to death in 1977 on charges of murder, subversion and illegal possession of firearms. He said on New Year's Eve that he had been offered a two-year scholarship in Asian Studies by Harvard University.

However, it is not yet clear whether Mr. Aquino will accept the offer since many supporters feel he should remain in the country, in custody if necessary, to continue his campaign for an end to martial law and the re-establishment of civilian rule.

Negotiations on the conditions under which Mr. Aquino will be allowed to travel to the U.S. are still going on. Mr. Aquino is reported to be prepared to return to his maximum security cell from which he was released a month ago, if he and President Marcos cannot agree on conditions for his departure.

One condition set by President Marcos is that Aquino should pledge not to criticise the President and his martial law regime while abroad.

Political associates are attempting to arrange a meeting between the two men to discuss Mr. Aquino's proposal for a transitional government that would eventually replace the martial law administration of President Marcos.

UAE labour laws threat to immigrant workers

BY KATHLEEN BISHTAWI IN DUBAI

THE United Arab Emirates Council of Ministers (Cabinet) yesterday introduced new labour laws which could lead to thousands of foreign workers facing deportation. In this tiny Gulf oil state, some 80 per cent of the population are immigrants.

The most important clause in this new package says that employees may not change their jobs or sponsors without leaving the country for a year. This will effectively end the casual labour pool which has existed for some years in the Emirates, which many local contractors relied on for day-to-day labour. The law will also mean that employers wishing to take on extra workers will have to recruit from outside the country, rather than drawing on existing talents and skills within the Emirates.

Another effect which local observers have interpreted from the law is that working foreign women will in future have to be sponsored in the country by their employers, rather than by their husbands, which was often the case.

Announcing the measures, Mr. Saif al-Jarwan, the Labour and Social Affairs Minister, said they were aimed at creating "psychological stability" for both employers and employees. In the past, he said, there had been considerable trade going on in visas and the result had been "another kind of slavery."

Oil found in Madagascar

ANTANANARIVO—Oil has been discovered in Madagascar and the country will become a net oil exporter by 1985, according to President Didier Ratsiraka. The President made the announcement in a speech to government officials and the diplomatic corps. He said oil and gas had been discovered very recently, but declined to give details.

The Indian Ocean island has recently been suffering from a serious shortage of oil products.

President Ratsiraka said in a new year message that the 70 per cent increase in the oil price in 1979 was having profound repercussions on the economy.

Reuter

BL orders press for Honda project

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

AN ORDER for a large hydraulic press has been placed in the UK for the first time by BL now that Wilkins and Mitchell, in agreement with Hydraulic Engineering, has the country's first capability for manufacturing such equipment.

The order is connected with the new car project involving Honda.

The £800,000 contract is the first part of the £105m capital spending to be made by BL on the Honda project between now and 1985. About £30m is to be spent this year.

The press will be installed at the Pressed Steel Fisher plant at Cowley, where the joint BL-Honda car, code-named Bounty, is due to go into production next summer.

The order was won against competition from West Germany, fits in with BL's policy of buying British equipment when possible. Wilkins and Mitchell will fabricate the press, which will then be taken to Chester, where Hydraulic Engineering will assemble the hydraulics. It will then go back to the Midlands plant of Wilkins and Mitchell for final assembly.

BL has ordered four further presses for Cowley, two in the UK, which are mechanical presses, and two from Mueller in Germany. Some of the spares and equipment used in constructing the Mueller presses will be supplied from the UK.

Mr. Bill Owen, chairman of Wilkins and Mitchell, said yesterday that the agreement with Hydraulic Engineering enables the company to offer a full range of equipment.

"We can no longer allow the growing investment in hydraulic presses to slip into our overseas competitors' hands. We are already looking at other possible contracts from the UK and overseas."

The BL order is expected to be completed by autumn.

Moscow bank in Swansea £4m loan

By Robin Pauley and Robin Reeves

MOSCOW NARODNY Bank, the Soviet-owned bank based in London, is providing £2m of a £4m syndicated loan arranged by Kleinwort Benson, the merchant bank, for Swansea City Council.

Kleinwort Benson's share of the loan is £1m, with £500,000 each from Malayan Bank, London, and Banco Español, London.

The loan was arranged in November and taken up in two tranches last month at a rate understood to be 1 per cent more than six-month Libor.

Moscow Narodny's involvement in local government loans is unusual.

Mr. J. M. Butler Swansea's treasurer, said the loan would be used to finance capital projects, mainly part of the authority's £5m housing programme.

When it was arranged there was no reason to feel uneasy about it, although it was now attracting comment because of the Soviet invasion of Afghanistan.

One City banker expressed surprise at the linking of Kleinwort Benson with Moscow Narodny in such a loan. Another said too much significance should not be read into the present Russian involvement in Afghanistan with regard to previously arranged loans.

It was a question of what money was available at what rates. When Swansea's loan was negotiated, several other loans involving the East bloc were being arranged.

"We have all been involved and we cannot be too critical now. Nevertheless, the partners in this particular loan are unusual."

Commercial vehicle output increases as cars decline

BY JOHN GRIFFITHS

UK OUTPUT of both cars and commercial vehicles continued to increase slowly in December. But car output for the year overall fell by a further 156,000 to 1,067,000 compared with 1978 and is far below the peak of 1,921,311 recorded in 1972.

However, provisional estimates released by the Department of Industry show commercial vehicle production up by 23,000 over the year to 409,000, the best figure for five years.

Seasonally adjusted, car production for December was 89,000, 5,000 more than in November. The 33,400 commercial vehicles produced represented a rise of 1,000 over the same period.

The further fall in car output, despite a record year for sales which saw over 1.7m cars purchased, reflects the increasing penetration of the UK market by imports—including those from the Continental plants of companies such as Ford and Vauxhall—whose market share rose last year to 56.28 per cent from 49.32 per cent a year earlier. Strikes, notably the engineering dispute in September and the transport strike at the start of the year, also adversely affected output.

Despite the rise in commercial vehicle output, British manufacturers are still failing to take full advantage of a buoyant home market. Sales in the UK were up 17.3 per cent on 1978. Nevertheless, UK manufacturers have not suffered anywhere near the inroads made by imports in the cars sector. Importers' shares of the commercial market rose from 21.7 per cent in 1978 to 23 per cent this year.

Joseph likely to face big lobby at Birmingham

BY ALAN PIKE, LABOUR CORRESPONDENT

STEEL STRIKE

SIR KEITH JOSEPH, Industry Secretary, is expected to face a strong lobby of striking steel workers when he visits Birmingham today for talks with regional TUC and CBI officials.

The Iron and Steel Trades Confederation said yesterday it had sent letters to all local strike committees telling them not to picket manufacturing plants which are not involved in the dispute.

Pickets were outside Metal Box's Neath, South Wales, factory again yesterday but the company's other factories were unaffected. Union officials representing the Neath workforce met the steelworkers' strike committee but could not get the picketing, which threatens to shut the factory in about 10 days, lifted.

For more pickets will appear in court in Sheffield today following arrests yesterday outside Hadfield's, a private steelworks in the city. There have been 12 arrests there so far this week.

Elsewhere in Sheffield, Alloy Steel Rods will shut down today, with about 100 workers laid off, because of picket action.

In Rotherham, C. Roberts and Co., a steel stockholder, told 100 of its workforce that they will be laid off today unless picketing is eased.

Mr. John Stafford, a director of the British Iron and Steel Consumer Council, warned that if secondary picketing of private steel firms which were not involved in the dispute did not stop jobs could be lost for ever.

Picketing was eased yesterday at Ductile Steel, Willenhall, West Midlands, and Alpha steelworks, Newport, Gwent, following the establishment of joint inspection teams to ensure that the companies were not using British Steel Corporation material. The Alpha management had warned that the plant would be closed within a week unless the blockade was lifted.

Block grants system attacked by councils

BY ANDREW TAYLOR

MEASURES which will give central government greater control over local authority spending have been strongly criticised by the Association of District Councils, which represent more than 300 local authorities in England and Wales.

The association says it is "totally opposed" to a block grant system of subsidies to local authorities. This will allow the Government to penalise those councils which seek to spend above set limits.

Mr. Ian McCallam, the association's chairman, says in a letter to the Prime Minister and Mr. Michael Heseltine that the measures are a threat to traditional freedoms Decision making at local levels would be substituted by Whitehall controls.

The measures are included in the Local Government Planning and Land Bill, under which the Government will assess how much it believes each local authority needs to spend and what proportion of the bill it is prepared to meet through a block grant. At the same time it will set standard approved rate levels for authorities.

If councils seek to spend above the set limit the Government will be able to reduce its share of the bill proportionately.

Mr. McCallam accepted that central government should be able to influence "the totality of local authority spending," but this could be achieved under the present grant system. The new measures would have serious consequences for local democracy.

Owen sees centre swing if Left seizes Labour

BY PHILIP RAWSTORNE

DR. DAVID OWEN, former Foreign Secretary, warned last night that many Labour voters would desert to a new centre party if the Left gained control of the Labour Party.

"If this Government proves to be as disastrous as many fear and the Labour Party is lacking in public appeal, then there is a real possibility of the emergence of a strong third party," he said in Newcastle-upon-Tyne.

Dr. Owen reaffirmed that he would not identify himself with the sort of new political alliance of the centre suggested by Mr. Roy Jenkins.

"But that does not stem from a belief that it would have no chance of temporarily succeeding. I believe it could well take off electorally over the next few years."

Dr. Owen, speaking at a meeting of the Campaign for Labour Victory—the broad Labour alliance opposing the Left's bid for control—urged democratic socialists to stay and fight for their policies in the Labour Party.

"It will be no easy task," he said. "A power struggle is inevitable." But opposition to Labour's Left-wing National executive was coming from a wide spread of opinion, even from some parts of the Left. It was a "travesty of language" to portray all those opposed to the NEC's views and actions as Right-wing.

Dr. Owen said: "We must not be afraid to challenge openly authoritarianism dogma, or the threat posed by the elitism of the activists."

Cut in allowances after Euro-MPs reject budget

BY PHILIP RAWSTORNE

ALLOWANCES FOR Euro-MPs have been cut as a result of the European Parliament's rejection last month of the EEC's draft budget.

British members attending parliamentary sessions in Strasbourg will now draw a travel subsistence allowance of £350 instead of £500.

The £13,000-a-year secretarial and research allowance is to be continued, but the £6,000-a-year payment for office expenses has been suspended. Political group funds are also being restricted.

The cuts have been ordered by the European Parliament's quaestor's a committee of Euro-MPs in charge of internal finances.

They are necessary because the rejection of the draft budget has restricted the Parliament's own funds to a twelfth of last year's appropriation per month. This limit will remain in force until the new budget is agreed.

Mr. James Scott-Hopkins, leader of the British Conservatives at Strasbourg, said he had heard no complaints about the cuts: "We believe it is a price worth paying to bring some sanity into the EEC's budget."

Brewers opposed to 'curb tax'

THE BREWERS' Society yesterday rejected suggestions that the duty on alcohol should be increased as a measure to curb drink abuse.

Sir Derrick Holden-Brown, chairman of the society, said that if the Chancellor of the Exchequer intended to raise duty on drink in his next Budget, "it should be clearly presented as a fiscal measure, and not with muddled arguments about curbing drink abusers."

He said that Britain's 39½m "sensible" drinkers would be unjustly penalised to no good purpose.

If all alcohol consumption was expressed in terms of beer, he said, then each adult in the UK is drinking only the equivalent of one pint a day.

Meat firm inquiry

THE City Fraud Squad has been called in over the collapse of a small Smithfield meat trader, Gilmore and Partners, which has been put into voluntary liquidation. Pre-tax losses for the last financial year amounted to £1.5m and the likely deficit is £1.2m.

Liquid gold theft

THIEVES took 56 litres of gold plating solution worth £8,400 from a factory in Letchworth, Hertfordshire, yesterday. Its gold salt crystal content can be extracted by electrolysis.

'No plutonium risk'

THE nuclear plant at Windscale, Cumbria, has been cleared by the county scientific consultant of putting the public at risk through an escape of plutonium effluent in September.

BR oil agreement

BRITISH RAIL has reached agreement with a private oil company, Sunclex, for marketing a BR oil recycling process which may save industry up to £10m a year by the end of 1981.

The process is designed specifically for recycling diesel lubricating oil. British Rail said about a tenth of the 1.02m tons of lubricating oil used in Britain each year could be recycled.

Bleeper boom

MULTITONE Electric, the communications company based at Marham, Norfolk, is to double the production capacity of its radio paging receiver line because of rapidly growing demand. In the past nine months orders rose 55 per cent.

International gap 'likely to grow'

BY MAURICE SAMUELSON

WITH the gap between industrialised nations and the Third World likely to grow rather than shrink, there is now no chance of creating a new international economic order, says Professor Ralf Dahrendorf, director of the London School of Economics and Political Science.

The most dangerous development of th epast decade was that too many countries were turning away from their international responsibilities and becoming more parochial and protectionist, he said in a lecture at the Israel Embassy in London.

Questioning the strength and stability of the West, he said the Soviet invasion of Afghanistan may have come "just in time." European countries would now discuss their contribution to NATO in less reluctant terms than over the past few years.

The West had reached a turning point and opportunities for economic growth would not be the same in the next decade as between 1948 and 1973. There was a feeling that "the party is over."

The quest for social equality was losing its paramount importance and there was a growing belief that policies geared to greater equality might increase frustrations rather than allay them.

Altough Britain would suffer from the economic restraints of the next decade, Professor Dahrendorf believed that its "peculiar strengths" would enable it to surmount them more easily than other European countries which seemed economically stronger, but were in fact politically more vulnerable.

Official surveyor against slagheaps on farms

BUILDING HUGE dirt tips on farmland in north-east Leicestershire as part of the National Coal Board's proposed mining venture in the area might contravene Government policy, an official of the Ministry of Agriculture told the Belvoir Inquiry yesterday.

Mr. John Craig, the Ministry's principal surveyor for the East Midlands, said it was Government policy for protection of agricultural land "to ensure that as far as possible land of higher agricultural quality was not taken for development where land of lower quality was available."

The Ministry of Agriculture had three main reasons for objecting to Coal Board proposals for on-site tipping: The area was mostly good-quality agricultural land; land of lower quality was available at the Bedfordshire claypits; and even if the NCB restored tips to full agricultural use there would still be a loss of agricultural production.

Mr. Craig said that agricultural land lost in 50 years of on-site tipping would be more than 550 hectares.

The inquiry at Stoke Rochford, near Grantham, continues.

Extradition of consultant sought by Australia

BY JOHN MOORE

MR. JAMES HOWEY, a consultant and an insurance specialist, has been brought before Bow Street Magistrates Court by a warrant issued under the Fugitive Offenders Act. The Australian Government is seeking an order to extradite Mr. Howey to face charges in the Australian courts.

The warrant, issued on Wednesday, is a provisional warrant of arrest pending receipt of a formal request for extradition by the Australian authorities.

Mr. Howey is accused in Australia of falsifying a document in Sydney in 1975.

Mr. Howey, 38, who was arrested by the police extradition squad, has been granted conditional bail of £20,000. He has been living in Horley, Surrey.

£1.2m facelift for slate town

A £1.2M scheme to revive the fortunes of Blaenau Ffestiniog, the North Wales slate mining town, has been announced by Gwynedd County Council.

Centrepiece of the project is a new £350,000 central railway station for Blaenau Ffestiniog, linking British Rail's Conwy Valley line from Llandudno Junction and the privately owned Ffestiniog narrow gauge railway from Pryfee Porthmadog, which presently stops one and a half miles short of the town.

Gwynedd is to contribute towards the cost of completing the link which, it envisages, will attract an extra 400,000 tourists to the town and create 175 new jobs.

The scheme includes a £100,000 facelift for Blaenau's shopping centre, the building of craft workshops, two new bridges and some land reclamation.

Most of the cost is being met by grants from the Welsh Office Urban Programme, the Welsh Development Agency, the Development Board for Rural Wales and the EEC.

Unions' output estimates too optimistic, say BSC officials

BY ROY HODSON

SENIOR British Steel Corporation officials protested yesterday that estimates quoted by the trade unions of productivity in steelmaking were misleadingly optimistic.

Dr. David Grieves, the personnel director, said the national wage increase must be settled by agreement to change working practices and improve productivity "towards international standards."

Mr. Bob Scholey, chief executive and deputy chairman of BSC, said that the 12 per cent "virtually guaranteed" by BSC before the negotiations broke down would cost it £100m a year. That money could be found only by the workers showing a greater commitment to raised productivity.

Estimates by the Iron and Steel Trades Confederation that BSc workers produced 192 tonnes a man-year, while West German steelworkers produced 200, were firmly denied by Dr. Grieves and Mr. Scholey.

The most reliable comparisons of productivity between national steel industries, they said, were the ECSC Eurostat figures which showed that in 1979 BSC made 141 tonnes a man-year against 180 by France and 237 by West Germany.

The BSC officials agreed that comparisons could to some extent be distorted by inclusion in BSC's work force of ancilliary services such as coke-making, sales and marketing, and catering.

Dr. Grieves estimated that even after allowance was made for those differences, BSC productivity would be raised only by some 10 per cent.

National Economic Development Office working party figures were quoted by BSC to make the point that its productivity was very low.

The NEDO sector working party progress report last year said the British steel industry, private and public, required 11.7 hours to make one tonne, against 7.2 in France and 6.5 in West Germany.

Asked why steel productivity was so low in Britain, Mr. Scholey said: "The systems of tradition and union rules and demarcations are the root causes.

"Undertakings have been given in the past at national level to make the changes which are needed. But national agreements alone have been ineffective."

● Robin Reeves, Welsh Correspondent, writes: A warning that the steel strike might lead to even greater cuts and job losses in the Welsh steel industry was given yesterday by Mr. Peter Allen, managing director of BSC Welsh Division.

He said that one result of a prolonged stoppage might be shedding of more than the 11,000 to 15,000 jobs already proposed for Port Talbot and Llanwern in BSC's pre-Christmas retrenchment proposals.

Mr. Allen put cost of the strike in the Welsh division at £5m a week.

Shortages will hit shipyards

BY WILLIAM HALL, SHIPPING CORRESPONDENT

BRITISH SHIPYARDS will start to suffer from shortages of steel within the next week or two but it will probably be some months before workers have to be laid off.

The country's shipyards use around a quarter of a million tons of steel a year and suppliers of components, such as anchors and chains, also use a considerable amount.

At the moment, the big naval shipyards, such as Vickers, Yarrow and Vosper Thorneycroft, have enough steel on hand for up to six months but the stock position at some of the yards which are just about to start work on new ships is more serious. The situation varies widely from yard to yard.

Mr. Derek Kimber, chairman of Austin and Pickersgill, one of the most successful yards, said yesterday that they were not in "dire straits" but they could be in trouble in a week or two. Last month the yard won orders for nine ships.

In Scotland; Govan Shipbuilders took delivery of 5,000 tons of steel just before Christmas and workers have just started cutting steel for the two 26,000 ton bulk carriers on order. The yard has enough steel on hand to build half the ships.

At Lithgows, on the Lower Clyde, steelwork on BP's emergency support vessel has been virtually finished and the yard does not expect to need any more steel for up to 14 weeks.

On Merseyside, where Cammell Laird has not had any new orders for some time, the steel strike is not expected to have any real impact for another two to three months. All the steel work on the two merchant ships being built has been completed. Roughly 85 per cent of the steel for two guided missile destroyers has been delivered.

In the Norta East, Smith's Dock has all the steel it needs for its current order book. In Devon, Appledore Shipbuilders is understood to have enough steel for another four to five weeks.

The steel strike is not expected to have an immediate impact on Britain's warship building programme because most of the steel (much of it specialised) is ordered many months in advance. Mr. W. Richardson, chairman of Vickers Shipbuilding and Vosper Thorneycroft, said yesterday that if the strike was prolonged "it would start to hit us in six months."

While the immediate impact of the steel strike on British Shipbuilders is somewhat limited, over the longer term it could do serious damage to the industry. Delays in steel deliveries may prevent foreigners placing orders in the

Should the strike be prolonged it could undermine British Shipbuilders' attempts to make shipbuilding viable in the UK. British Shipbuilders lost £56m in 1978-79 and could lose up to £100m in the current year.

● Clelands, one of the small shipyards on the Tyne, has won an order for a 3,880-ton bulk carrier from Stephenson Clarke Shipping. The ship is due to be completed in early 1981.

Production hit before stoppage

A WEEK'S steel production was lost by the private and public sectors before the strike because of the Christmas holiday, Roy Hodson writes.

Total UK production last month was 24 per cent lower than November's. It averaged 330,000 tonnes a week.

However, exceptionally high quantities of steel were moved out of British Steel works in the first three weeks of December to meet the strike threat.

West Midlands strikers face planning problems

BY NICK GARNETT, LABOUR STAFF

LEARNING how to strike has not been easy for the West Midlands area of the Iron and Steel Trades Confederation.

From the union's Midlands office over a post office and fishmonger's shop in the suburb of Mere Green, Sutton Coldfield, national officials have been grappling with the realities of a national strike for which they have had no experience.

It took a week to instal a picket co-ordinator, and officials are still trying to cope with the problem of which companies to picket and who should do the picketing.

There are signs, however, that the union is successfully tackling some of these difficulties through organisation, hardening attitudes, and what appears to be the exceptional enthusiasm

The union viewpoint is that there is still far too much steel moving about although some preparation work was done before the strike. White collar staff had collated a wad of information about BSC customers who were attempting to switch orders to the private sector.

They also warned loaders when stockholders were attempting to expand their intake in preparation for the dispute. Much of this extra loading was halted.

Union officials say they can identify within an hour sources of steel and this has allowed pickets, in a number of cases, to halt steel which has been relabelled with private sector tags.

The union's West Midlands areas, however, started off with a particular disadvantage — there is a vast number of stockholders which it believes should be picketed, but very few steel workers to do the job.

There are only about 2,000 ISTC mebers, including office staff, in the area, excluding Corby, which is operating largely separately during the duration of the dispute. Of these, only about 500 have shown a willingness to turn up for regular picket duty. Reinforcemens from the North are not expected until the beginning of next wek.

Mr. Brian Toland, a 28-year-old convenor, only began the job of jicket co-ordinator for the West Midlands area yesterday.

There was, and still is, a problem about using pickets to cover as many plants as possible, although Mr. Roy Bishop, the divisional officer, says it has been necessary to blanket picket some companies to stop "cowboy" hauliers from moving steel.

Two days ago the union was picketing only 26 of the estimated 500 stockholding plants in the area.

In terms of winning the strike, the biggest problem is the moderation of union officials and strikers in areas like the West Midlands.

Pickets say it would be easier to organise the strike if there was an instruction to stop all steel movements. That would prevent some of the misunderstandings with stockholding companies and other unions.

They say it would also be a crucial factor in forcing the issue and preventing the strike from developing into what most see as a very long battle.

Mixed reception for Finniston report

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

PUBLICATION of the long-awaited Finniston Report into the engineering profession has produced a variety of reactions from the professional institutions, whose future would be radically changed if the Government implemented the report's recommendations.

The Council of Engineering Institutions, whose registration functions would be taken over by an Engineering Authority if such a body were set up, thinks the benefits to industry claimed by the report would be achieved more quickly "by evolution rather than revolution."

The present system of regulation in the profession by itself and its Engineers' Registration Board in conjunction with engineering institutions, is capable of development to meet the broad objectives in the report, it says.

The Engineering Authority proposal is supported by the three most powerful institutions, the Institution of Electrical Engineers, the Institution of Mechanical Engineers and the Institution of Civil Engineers, with varying degrees of enthusiasm.

The Institution of Electrical Engineers calls on the Government to take prompt action to put it into effect, and "particularly welcomes the proposed distinction between courses for the intellectually and the practically inclined engineering students." It regrets that the report did not propose statutory licensing.

The Mechanical Engineers say that the authority plan is acceptable only if it is seen as an instrument of the profession and not of the Government.

The Civil Engineers express concern about the proposed educational changes, particularly cost of implementation and time required to rearrange the system.

The Institution of Chemical Engineers welcomes it, as long as the institutions are consulted about the proposed statute.

The Institution of Electronic and Radio Engineers, while supporting the plan, expresses concern that the institutions as such will not be represented.

Trade union reaction included, that from Mr. John Lyons, general secretary of the Engineers' and Managers' Association, who welcomed the report. He said that it could lead to a transformation in the standing of the British engineer.

Mr. Ken Gill, general secretary of TASS, the white-collar section of the Amalgamated Union of Engineering Workers, said the report "failed to deal adequately with the crucial question of engineers' inadequate salaries and lack of rational salary structure."

Technology take-up slow, says NEDO

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

BRITISH INDUSTRY is criticised today by the National Economic Development Office for not making sufficient use of advanced technologies to improve manufacturing efficiency.

The machine tool and office equipment industries are picked out for special blame by NEDO, which says that the take-up of new technologies in the UK "remains sluggish" compared with overseas competitors.

Countries such as France, Sweden, Germany, the U.S., Japan and some newly industrialising countries have a better record than the UK. British progress is hampered by a lack of confidence in rapid and sustained growth of demand and by relatively immobile labour and capital.

More action is needed by Government and individual industries to spread knowledge about new technologies and to remove fears of change which produce inertia. More skilled personnel and increased investment are also needed.

NEDO's views are based on a report of work done by 40 of its sector working parties and economic development committees. These groups studied last year adoption of high technology in their areas of industry.

The report was presented to the National Economic Development Council meeting on Wednesday, when it was agreed that the CBI and TUC would talk about joint guidelines on employment and other matters for companies introducing new technology.

"There is a high general level of awareness of the contribution advanced technologies can make to improving manufacturing efficiency and to enhancing the value and capability of products," says the report.

"By contrast with competitors, however, the actual take-up by industry remains sluggish, not least in key sectors such as machine tools and office equipment, on which other sectors depend for the efficiency of their own operations."

The committees and working parties believe that this is partly because potential users have insufficient knowledge and understanding of specific applications. This is compounded by "general fears about implications of technological change which leads to inertia."

There are also important technological gaps in the hardware and software offered by UK suppliers of, for example, control systems, sensors, transducers, micro- and mini-computers and office systems.

NEDO says that there is also "insufficient integration of effort" between the suppliers of electronics and other information technology, and the makers of manufacturing plant and equipment. Skilled personnel are also in short supply.

Both the suppliers and users of advanced technologies are finding that the "current economic climate adds to the difficulties of getting change accepted, and to the constraints on capital and research and development funding on what is a capital-intensive and high-risk field."

This has led the working parties and committees to call for the Government to play a role in co-ordinating research and development work—a point also made earlier this week by the report from the Advisory Council for Applied Research and Development.

Among other specific recommendations put forward by NEDO is a suggestion that the Government's awareness programme should be developed for individual sectors and that the Government should ensure its procurement policies and regulations promote innovation. It is also suggested that small firms should be helped with a bank loan guarantee scheme.

British Aerospace plans £100m civil aircraft investment

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE plans to spend more than £100m this year on investment in its four major civil aircraft programmes, bringing total investment in them by the end of this year to about £260m. The cash will be largely found from BA's internal resources.

The four programmes are the BA 146 four-engine feeder-liner, the Jetstream 31 "commuter-liner," and the two European Airbuses—the 250-seater A-300 and the 200-seat A-310—for which it builds the wings.

By the end of last year BA's Aircraft Group had spent about £150m on these four programmes. About £69m went on the BA 146. About £59m went on the A-300.

In the coming year the 146 and Airbus programmes will take the biggest share of investment as work on them expands.

The biggest additional investment, amounting to about £63m, will be made in the 146, as work progresses on quantity production. Eventual investment in the 146 is expected to total about £230m by the end of 1982.

By the end of this year total UK spending on the A-300 Airbus is expected to be about £71m against nearly £60m at the end of last year. Spending on the new A-310 will build up rapidly to about £50m. Much of this is already being reimbursed by deposits on sales and through deliveries of A-300s.

Further investment will be required in all four programmes in 1981 and 1982. It is on these aircraft that the civil side of the BAE's Aircraft Group is setting its long-term sights. Substantial investment now is intended to reap major rewards in the late-1980s and early-1990s.

The original investment forecasts may have to be revised upwards, however, because of inflation and expanding order books—especially for the A-300 and A-310. Demand for them grew dramatically last year and many new orders are under negotiation.

No orders have been won for the 146, although BAC remains confident that current negotiations will generate contracts soon.

The cash inputs to the four programmes, and especially for the 146, include money for jigs and tools which are always a heavy item in the early development of any aircraft. BAC must also pay for substantial quantities of long-dated materials which have been ordered.

Only four ships on order at Harland and Wolff

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE AMOUNT of new shipping tonnage launched by Harland and Wolff in 1979 was the lowest for the last decade. Four ships were launched during the year, totalling 117,520 gross registered tons.

Apart from a few ships that are being fitted out, the Belfast shipyard's order book is now down to just four ships—two LPG carriers and two British Rail car ferries. These should be completed by 1981 and the yard badly needs new orders if it is not to start laying off its 7,300 workforce.

So far the yard, which can build ships of up to 1,000,000 dwt, has not participated in the upturn in new shipbuilding orders. One of its main problems is that as a result of the shipping slump it has been forced to switch from building giant ships to smaller but more complex vessels, such as ferries and gas carriers. Consequently, most of Harland and Wolff's recent contracts have been running badly behind schedule since the shipyard has to relearn how to build these types of ships.

In 1974, Furness Withy ordered to 66,000 dwt products tankers. These were originally due for delivery in 1978 but the company took delivery in the summer and autumn of 1979. As the shipping market was depressed at the time the delay was of no real concern to Furness Withy. However, in the case of British Rail's Sealink, the delays in the delivery of the new ferries have put the company at a disadvantage on the highly competitive cross channel routes.

HARLAND AND WOLFF
Ships launched 1969-79

Year	No	Gross tons ('000)
1969	1	57
1970	5	254
1971	3	241
1972	2	185
1973	2	194
1974	3	341
1975	2	225
1976	3	485
1977	2	237
1978	3	274
1979	4	118
To be launched		
1980/81	4	118

Sealink's new ferry, St. Anselm, will not be ready until June 1980 at the earliest—several months behind schedule. The second cross channel ferry will not be in service until late 1980. Meanwhile, the delivery of the Galloway Princess, which was supposed to start operating on the Stranraer Larne route, in the spring of 1979, is running about nine months late and will not be ready until next month.

The two 59,000 cubic metre liquefied petroleum gas carriers, which are being built to transport LPG from Shell's Brent Field in the North Sea to the U.S., were originally supposed to be delivered in April 1980 and December 1980. However, they are now running about one year behind schedule and are not due for delivery until 1981.

These are the first gas carriers to be built in the UK for many years and at the time they were the most advanced in the world. When the order was announced in April 1977, the then Northern Ireland Secretary, Mr. Roy Mason, said: "It is not too much to say that a spectacular success with these two LPGs could have a profound effect on the future of Harland and Wolff, whereas failure on either specification or delivery date, could spell ruin for the company."

One of the reasons given for the slippage in delivery dates is that the Mossmorran project in Scotland — for which the two LPGs were being built — has been bedevilled by planning objections and is far from ready for the new gas ships.

However, short term charter rates for LPG ships have nearly trebled to $600,000 per month over the past year and if the ships had been available they could have been employed profitably elsewhere.

Post Office sells Prestel to U.S.

BY ELAINE WILLIAMS

MORE THAN 20 U.S. corporations are to use Prestel, the computer information system developed by the British Post Office, under contracts to be signed today with Insac Viewdata, a subsidiary of the National Enterprise Board.

Insac offers the service in the U.S. in conjunction with the U.S. telecommunications company, General Telephone and Electronics. It says that each of the corporations will install up to five computer terminals connected via GTE's Telenet communications link to the GTE computer centre in Florida, which operates the viewdata system.

Companies signing contracts include the Chase Manhattan Bank, J. Walter Thompson; publishers McGraw Hill and Time and Merrill Lynch, Pierce, Fenner and Smith.

The signing of the U.S. contracts comes less than a month after Mr. Len Taylor resigned from the Board of Insac Products, the umbrella company for two Insac subsidiaries, because he thought the company had made little progress in its two years of existence.

In November, Insac's operations were split in two. Since then Insac Viewdata (IVL) has handled the extensive viewdata activities while Insac Products (IPL) remains a marketing organisation and funding body for several British software companies. These include Computer Analysts and Programmers, Systems Designers, Systems Programming, Systime and Logica.

Insac Products' Board comprises representatives of the five associated companies. Mr. Taylor is managing director of Logica.

IVL hopes that many early users of viewdata in the U.S. will eventually want their own private systems. It says that negotiations for the supply of a private system have already begun with several corporations.

New mortgage scheme for small businesses

BY ERIC SHORT

A NEW source of finance is being made available to members of the National Federation of Self-Employed and Small Businesses. This comes from a new pension fund's scheme set up by the Federation with City of Westminster Assurance. The scheme will make available up to half its funds to members in the form of small commercial mortgages on property.

Individual advances of £10,000-£25,000 will be made, limited to two-thirds of the valuation of the property. The repayment terms would be up to 20 years. Borrowers would have the choice of paying fixed or variable rates of interest and repayment amounts. This facility would only be available to members of the Federation.

The rest of the funds will be invested by City of Westminster Assurance in the fixed interest market.

Mr. David Dexter, vice-chairman of the federation, said for some time small business had been investing money set aside for pensions in big business through the investments made by the life companies which held those pension monies.

Under this scheme the funds generated would support small business through commercial mortgages, filling a market left by the current lending policies of banks and building societies.

Consultants to recruit new chief for Co-op

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE Co-operative Wholesale Society has decided to employ recruitment specialists in its search for a new chief executive.

Sir Arthur Sugden, the present chief executive, is to retire on his 62nd birthday next September.

The CWS Board has also appointed a new chairman after the resignation of Mr. William Farrow last month for health reasons. He is Mr. Peter Paxton, aged 56, who has worked for the Cambridge and District Co-Operative Society for the past 24 years.

The recruitment consultants have not yet been appointed. The decision to employ them does not mean that the new chief executive will necessarily come from outside the co-operative movement. The society seeks the widest possible selection of a new chief.

The Co-Ops enter the 1980s with a trading performance that has suffered from the High Street price wars of the past few years. Latest figures for the total market share of the 200 or so retail societies gives them 6.8 per cent of trade, compared with 7.1 per cent in the mid-1970s.

GLC widens lorry park plan

BY LYNTON McLAIN

THE GREATER London Council which wants to go ahead with the capital's first "strategic lorry park," is to widen the scheme in an attempt to get private companies to invest £1.5m.

The GLC said yesterday that it had failed so far to attract commercial backing for the lorry park. It wants ten strategic lorry parks eventually.

The East End site, it said, might be developed to include "transhipment" depots, bonded warehouses and small engineering works.

The depots provide for loads from the heaviest lorries to be split for final delivery in Central London.

Hauliers are vigorously opposed to transhipment because of the increased handling charges.

The GLC has reached preliminary agreement for the proposed lorry park with the London borough of Newham.

It is prepared to fund a £500,000 access road to a nine-acre site at Beckton.

Newham would have to find money to develop the site, including a 150-bed hostel for drivers.

Moving over to multi-column

BY ARNOLD KRANSDORFF

BRITISH COMPANIES may eventually change their current accounting format to a multi-column reporting system in line with the practice now starting in the U.S. The columns would include figures on historic cost, price adjusted and current value terms.

This was forecast yesterday by Mr. Tom Watts, chairman of the Accounting Standards Committee, in an address to a Financial Times conference in London on problems in accounting.

Mr. Watts, who is also a senior partner in Price Waterhouse, said a number of big American companies had made the change as a result of the Financial Accounting Standards Board's recent standard on inflation accounting.

He also said the view could no longer be taken that accounts were produced in the UK solely for shareholders. Other power bases were operating and able to influence company practice.

Mr. R. W. Archer, commercial director of Unilever, warned that rigid standardisation of accounting practices could undermine true comparability. "I believe we are now at the stage where standard setting has to be handled with even greater care."

Companies dissimilar in circumstances, assets, history, policies and markets did not become comparable if they were compelled to follow the same accounting methods.

Mr. Raymond Hinton, partner in Arthur Andersen and Company, told delegates that of the alternatives being discussed for a standardised accounting practice for goodwill, the odds now seemed clearly in favour of amortisation. This was a subject vexing the Government, the ASC and the EEC.

Mr. Keith Percy, a partner in stockbrokers Phillips and Drew, spoke of the pressing need for a new accounting standard to calculate earnings per share. The present two accounting recommendations—SSAP15 on deferred tax and ED24 on current cost accounting—were "utterly confusing" in the calculation of EPS.

The increasing regard paid to inflation accounting over the past 10 years, as inflation had accelerated, had undermined investors' confidence in published profits and therefore in earnings per share.

"For the investor and the company, current cost earnings per share give an immediate measurement of the extent to which the dividend per share can be increased, while leaving "real" retentions at nil. P/E ratios give the investor an important yardstick for comparing companies, not just in the UK but worldwide."

The problems of accounting for depreciation in times of inflation were highlighted by Mr. Ian Leeson, a partner in Ernst and Whinney.

He said the main difficulty was calculating the right life span for each asset—or at least making a reasonable guess. Management, he suspected, erred knowingly on the side of prudence to counteract the problems of historical cost accounting in an inflationary period.

Mr. Michael Lafferty, Banking Correspondent of the Financial Times, criticised the privileged accounting practices of banks, insurance companies, and those of pension funds, trade unions and local authorities in the non-corporate sector.

"I fail to see how society can justify a system in which incorporated sweet shops have to publish detailed accounts while pension funds and other highly significant economic entities are either unaccountable in public or subject to far less demanding rules," he said.

FINANCIAL TIMES
PROBLEMS IN ACCOUNTING
CONFERENCE

More settle in Britain

DURING APRIL to June more people settled in the UK than left—the first time this has happened since the June quarterly figures were first collected in 1966.

The Office of Population, Censuses and Surveys said 43,500 people came to live in Britain while 38,000 left, a "net inflow" of 5,500. During the same period in 1978 there were 34,800 immigrants and 37,900 emigrants, a "net outflow" of 3,100.

Bank staff want pay differentials restored

By Gareth Griffiths, Labour Staff

THE STAFF associations of three clearing banks will meet next week to draw up a pay claim for their more than 90,000 members which is expected to place strong emphasis on the need to restore differentials.

Negotiators from the staff associations of Lloyds, National Westminster and Barclays have arranged a joint meeting on Thursday. The Lloyds association negotiators have already met, as will the other two executive councils before the joint session.

Mr. John Bealey, general secretary of the Lloyds Bank Group Staff Association and secretary to the associations' joint steering committee, said yesterday their claim would stress differentials much more strongly than the 25 per cent claim tabled by the Banking Insurance and Finance Union on Wednesday. The two claims would not, therefore, be similar.

The associations are expecting a letter from the Federation of Bank Employers before they draw up the claim which will call for central negotiations with the staff associations and BIFU.

Mr. Leif Mills, BIFU's general secretary, however, has said his union will not conduct joint negotiations.

The increase of pay differentials between managerial and clerical staff will be one of the association's main aims, Mr. Bealey said. The staff associations, which have higher membership amgng the senior bank staff than BIFU, were annoyed at last year's settlement. It gave a general increase of 17½ per cent with only a further 2 per cent for supervisory staff and managers.

The associations want a return to the industry's traditional negotiating pattern of national awards, if necessary by arbitration, for clerical grades one to four and general pay increases.

Meetings with the banks over this year's pay settlement are expected in mid-February. April 1 will be the settlement date common to the English clearing banks.

The Lloyds Banks Group Staff Association, which has 21,000 members, is to register a failure to agree with the bank over a separate claim about the pay of its 2,900 managers. The claim, which aims to restore the managers' position relative to that of 1975, has been ongoing, and under Lloyds negotiating machinery is expected to go to arbitration.

Absentee engineers hit BA long-haul flights

BY GARETH GRIFFITHS, LABOUR STAFF

BRITISH AIRWAYS' intercontinental flights were hit yesterday by maintenance engineers refusing to turn up for shift work at Heathrow in support of their 25 per cent pay claim.

The industrial action includes an indefinite overtime ban by 11,000 maintenance engineers at the airport and what the transport and engineering unions call a "roll on" ban. The action strated at 6.30 am yesterday and will last until Saturday.

Six long haul flights were cancelled, including a Concorde service to New York. American and Midle Eastern services were the worst hit with delays. Today, BA has cancelled 17 planned European and short-haul flights. Two services to Jersey and two to Bradford and Leeds have been withdrawn.

The delays have been made worse by the effects of industrial action by oil tanker drivers. Some jetliners have, therefore, had to refuel at airports outside the UK.

Talks

Talks were going on last night between BA officials and union representatives on the dispute. However, local union leaders at Heathrow plan to meet on Tuesday to consider whether to step up the industrial action and repeat the roll on ban.

Mr. Stanley Havill, secretary of the joint unions' committee at the airport, said it might be necessary to continue with the maintenance engineers not turning up for work in order to achieve a speedy settlement. The indefinite overtime ban would have a cumulative effect on services. He said the unions were prepared to talk with BA at anytime.

The airline has offered the engineers a pay rise worth 17 per cent which would give lead tradesmen an increase of £16.19 to £18.57 a week. It says there is no more money available to finance a higher deal and wants progress on greater flexibility. BA has ben hit by increases in fuels and other costs and regards the maintenance engineers as pay setters for the rest of the 33,000 ground staff. It calls the offer a "generous one."

The union negotiators have told BA they want a deal with "no strings attached." Mr. Havill said the unions were not prepared to negotiate a productivity agreement in the wage settlement although BA say considerable progress has been made in negotiations over the question of flexibility.

Shell ballot leads to agreement on deal

BY OUR LABOUR STAFF

THE Association of Scientific, Technical and Managerial Staffs yesterday accepted pay offers covering 3,000 clerical staff at Shell Oil and Shell Chemicals and a further 3,500 staff at BP Chemicals.

Local talks

The Shell offer, which had been recommended for rejection by the union's national negotiating committee but which was accepted in local balloting, gives a 12-month deal from last October, even though the present settlement date is January 1.

The deal gives increases of 18 per cent backdated to October 1 last year, which will rise to 20 per cent on January 1 this year. The union calculates this will give increases of 23 per cent overall.

It also gives an extra week's holiday by means of more service days, a new three-shift allowance, backdated to October 1, of £1,400, and, and the union claims, for the first time in the company, an opportunity for local-level productivity negotiations. These could give further significant improvements to the overall package.

The BP deal directly covers 3,500 clerical staff, but the union says it is likely to be extended to a further 3,500 staff in the company.

It gives increases of 22½ per cent on basic salaries from January 1 to all staff involved except those already on the maximum. It also gives a fifth week's holiday, and a shift allowance of £1,535. The deal was accepted at local level after a recommendation by the negotiating committee.

Esso voting

● Esso tanker drivers began voting yesterday on whether to strike over a pay claim. One union official has already said there is a strong possibility of a strike.

Workers at Britain's biggest depot, Stanwell, in Surrey, have already walked out.

A national overtime ban started a month ago.

Supplies to London and the suburbs have been halted and some garages may already be out of petrol, said Esso.

Work halted on Milford Haven refineries

By Our Labour Staff

A STOPPAGE by more than 3,000 construction workers has crippled progress on oil refinery expansion being undertaken at a cost of nearly £500m on the shores of the Milford Haven estuary in West Wales.

The action has brought work virtually to a halt at the Texaco, Gulf and Amoco oil refineries. The addition of catalytic cracking units to them will reduce petrol imports.

At the Texaco refinery, the men refused to cross picket lines formed by welders employed by George Wimpey and the British Steel subsidiary PED. They are disputing the withdrawal of productivity bonuses.

The stoppage coincides with a meeting due to be held today between the contractors and union officials to discuss a common site agreement. Currently it pays the men £2.85 an hour and negotiations have already raised it to nearly £3.40. The agreement has not yet been implemented and the workforces are understood to be claiming parity with the £4 an hour paid on Scottish oil development sites.

Shipowners refuse talks on fresh pay claim by officers

BY PHILIP BASSETT, LABOUR STAFF

BRITISH SHIPOWNERS yesterday rejected an attempt by 40,000 merchant navy officers to reopen a pay settlement concluded last year worth 17.5 per cent.

The officers' claim for a further 6 per cent follows a 24 per cent settlement for merchant navy seamen, which was agreed shortly after the officers' deal.

The General Council of British Shipping said yesterday after consulting with its member companies on the officers' claim that it had to stand by the deal. The employers believed that once a deal had been concluded it had to be honoured.

They said that the seamen's deal involved an agreement to examine leave patterns and to draw up guidelines for reducing overtime. If these were put into force — and some reduction in overtime had already been agreed by some members companies — the ratings' settlement would be worth less than 24 per cent on costs.

The differential between the officers and ratings in 1974 was 100.6 per cent and in 1979 was 106.8 per cent. The total increase for officers during the previous Government's pay policy was 38.25 per cent, while for ratings it was 37.6 per cent, so differentials had not been eroded.

During the negotiations on the officers' settlement, the employers had said they would be prepared to discuss consolidating on a minimum-cost basis the last three supplements before the next pay deal.

The officers have argued, though, that they want the supplements consolidated in such a way as to yield a further 6 per cent.

The officers' unions responded unsympathetically to the employers' reasons yesterday and will now take the reply back to their governing councils.

The officers may now attempt to improve their deal at company level, and the unions may advise members, as they have before, to harden their attitudes towards employers' efforts to improve working practices.

Meccano unions meet management

CRISIS TALKS over Meccano's Liverpool factory shutdown ended last night in London with union leaders and management representatives tight-lipped over the result of the five-hour briefing.

The General and Municipal Workers' Union negotiators and representatives of the owners, Airfix Industries, refused to speak to the Press.

However, a joint statement said: "The trade union's side led by Pat Turner, national officer of the GMWU, made proposals to which the management replied."

No one would say what the proposals were.

The statement added that there would be a meeting of all Meccano employees at 11 am on January 14; a meeting of national union officials on January 16 and a further meeting of unions and management in London on January 18.

Workers are still occupying the plant in Edge Lane, Liverpool, which was closed at 30 minutes' notice at the end of November making 940 employees redundant.

The seven unions involved want the factory reopened but the management, which blamed £4m losses and union troubles, said before the meeting: "There is no question of Airfix changing its mind about the closure."

The company has sent a letter to each of the workers estimating how much redundancy pay they would get. They will also get three months' pay in lieu of notice.

Some long-serving workers would receive several thousand pounds, Airfix claimed.

Railmen refuse to end strike

OFFICIALS of the National Union of Railwaymen and the Associated Society of Locomotive Engineers and Firemen failed yesterday to persuade 250 drivers and guards at British Rail's Peterborough depot to end their unofficial strike.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● OFFSHORE INDUSTRIES

Cleaner platforms

ALBA CLEAN has designed and built a cleaning unit for offshore production platforms.

Flameproofed, it is a containerised high pressure jetting pump with fitted hosereel, accessory and tool lockers. The 100 hp version of the unit is built around a Myers 7500 series pump and has capability for every kind of platform topside cleaning duty amenable to jetting techniques, including abrasive blasting and tube cleaning. The pump is fitted with an adjustable regulator permitting stepless variation of pressure from zero to 10,000 psi.

The standard container unit is fitted with slings, forklift slots and door seals. This ensures convenient handling, security and weather protection. Space requirement is minimal and the box can be stacked with other containers when not in use.

To cope with routine cleaning of work areas Alba has also designed and built a compact and highly portable air-operated jetting unit based on the Myers CX10-10AV pump. This pump is helicopter transportable and easily carried by two men. The 10 hp air motor runs on normal platform air supply and the pump delivers a useful 9 gpm at 1400 psi. Accessories for drain cleaning, sand-blasting and detergent injection for degreasing make the unit ideal for many tasks on platforms, in refineries and elsewhere, whenever air operation is preferred.

Alba Clean is at Greenwell Road, East Tullos, Aberdeen. 0224 878188.

Tracker under the waves

UNDERWATER navigation equipment for both manned and unmanned submersibles has been introduced by Ulvertech. It automatically tracks the position of the submersible from a predetermined starting point by integrating speed, distance and heading data inputs to provide the pilot with an x-y plot of position relative to the starting point, with an accuracy according to the manufacturers of better than 3 per cent of distance travelled.

British Oceanics, which recently completed intensive acceptance trials, has installed the new system aboard the submersible Pisces 2, currently working in the Mediterranean.

Ulvertech specialises in the design, development and application of advanced electronic and mechanical engineering to meet sub-sea applications.

The company is at 112 Duke Street, Barrow in Furness, Cumbria. Telephone 0229 28004.

Inhibits the oil bugs

TO COMBAT serious bacterial growth problems on its Atlantic II offshore oil rig, Atlantic Drilling Company has switched to the use of Erifon HD 856 BOP control fluid, manufactured by Isaac Bentley and Co. of Liverpool.

Essential to effective operation of the rig's blow-out preventor circuit, which controls underground oil and gas pressures, is an effective anticorrosive and bacteria-inhibiting hydraulic control fluid.

Engineers on Atlantic II were experiencing severe bacterial growth problems in the BOP system, with bacteria to a depth of four-five inches in the bulk tank, and growth appearing wherever the control system was exposed to air. Bacteria thus clogged the control system and presented a danger of corrosion to the hydraulic components.

Erifon HD 856 control fluid is now used in the system at 100/1 dilution. Since the change, Atlantic Drilling has experienced trouble-free running, with no corrosive effects on the hydraulic system. Bacterial growth has been eliminated entirely after initial low-level problems.

Isaac Bentley and Co., Naylor Street, Liverpool.

Threats to the rigs

UNDER the ominous title "Offshore oil in jeopardy," a two-day conference is to be held in London on March 17 and 18 to consider the whole question of the safety of offshore oil installations, with an examination of the likely risks and possible losses.

A major aim of the conference will be to examine the size and the extent of the insurance cover required.

The first session opens with a survey of investment in European waters as an economic basis for the examination of losses and their effects on this major industrial effort. Then follow in order: a survey of the types of installation by structure, burden and manpower complements; the various hazards pertinent to offshore installations; a review of marine and onshore incidents to illustrate the possible consequences of offshore accidents; and these papers will then be used to draw an overall picture of the possible effect of a major loss and its effect on public opinion and the national economy, and estimate the cost of adequate protective measures and their effectiveness in commercial terms.

Oyez IBC, 11/13 Norwich Street, London EC4A 1AB. 01-242 2481.

Protecting insulants

ROK-RAP, Evode's Portland "cement-in-a-bandage" is being used to seal and encase insulation material on process pipes at BP Oil's 800-acre Grangemouth Refinery in Scotland.

Oil from the Forties Field in the North Sea is treated at Grangemouth at a rate of 500,000 barrels a day, making a substantial contribution towards Britain's progress to self-sufficiency in fuel and lubricants and providing raw material for a host of petrochemical using industries.

Rok-Rap is being used to keep dry Rocksil insulation material on otherwise difficult to protect sections of curved piping.

Manufactured by impregnating a woven fabric support membrane in a non-aqueous slurry of uncured cement and polymeric binders, Rok-Rap is activated simply by immersing the bandage in water for 15 to 20 seconds, after which it can be applied to the pipes by wrapping and moulding by hand, overlapping adjacent edges.

The cure can take place underwater, if necessary, since a binder prevents the cement from washing out of the bandage. When curing is complete, it forms a rock-hard, resilient casing, resistant to mechanical damage and unaffected by contact with many solvents as well as vegetable and mineral oils and diesel fuel. It can also be painted.

Evode operates from Common Road, Stafford ST16 3EH.

● COMPUTERS

Burroughs mini from Scottish plants

FEATHER IN the cap for the Cumbernauld and Glenrothes design and production teams of Burroughs Machines is the fact that the development of the company's new computer for small business and network applications, the B90, is their achievement, stemming mainly from their previous success with the B80.

UK managing director Bob Akers believes the new machine, which replaces the B80 (of which 4,000 are installed in the UK), will further enhance the Burroughs U.K. market share of small business machines, thought to be about 19 per cent.

As with any new computer introduction, the keynote has to be improved price/performance characteristics, and among the Scots design team's achievements is a three megabyte floppy disc store (1.5 MB per side) claimed to be "well in advance" of any competing flexible disc and holding three times the data of the previous B80 drive. Apart from referring to higher rotational speeds, closer tracks and greater packing density, Burroughs reveals no other design data.

However, in practice, employing a dual drive, the development means that the user has a not inconsiderable six megabytes of bulk storage at his disposal, treble that of the B80. In addition, access time is 40 per cent lower at 157 nanoseconds, a time which the company claims is as good as the average disc cartridge.

The processors—words such as "mini" or "micro" are sensibly avoided—are simply described as "using large scale integrated circuits" and they work at 2 MHz, which is two to five times the speed of the company's earlier small machines.

"Variable micrologic" is employed, which allows the computer to alter its operating logic to fit the particular requirements of each processing task. A master control program, which governs system operation, gives the B90 the virtual memory efficiency of the company's big machines.

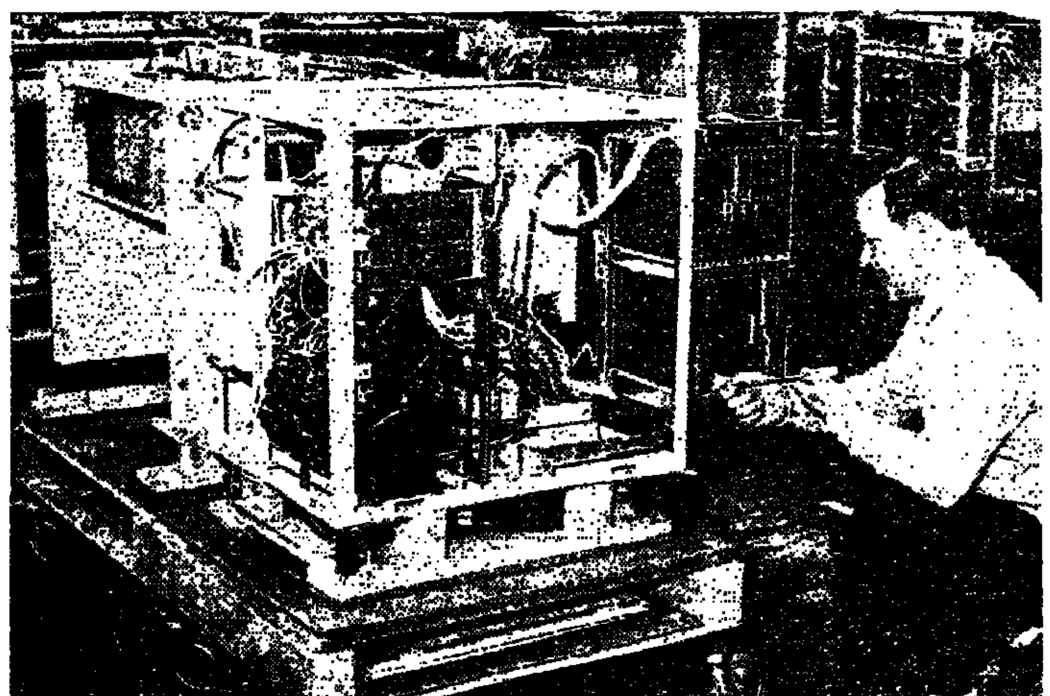
About the size of a small office desk, the B90 has keyboard, leg well and printer to the right and disc store "drawers" at lower left with a free-standing 12 in. display screen on the desk top. The display can be switched between 256 and 1920 characters/sec to suit the work.

The increased power of the B90 means that it can be used in distributed data processing and data communications networks. Terminal networks can be set up and at the same time each unit can perform multiple data processing tasks, an ability often limited to larger machines. Terminals can be used as multiple data input and programming stations as well as for entering requests and displaying answers.

All the software and field support previously developed for the B80 remains available for the B90. A variety of other peripherals can be connected.

Entry level machine is designated B91: with 128k bytes of fixed store (up to 512k is possible), a 90 character/sec. printer, the screen, 6 MB of disc and the operational software, the price is under £12,000.

More from Heathrow House, Bath Road, Hounslow, Middx., TW5 9QL. (01-759 6522.)



An electronics technician carries out an adjustment to a B92 computer, one of two models in the B90 range being manufactured at Burroughs' Cumbernauld plant in Scotland

● IN THE OFFICE

Guide to microfilm readers

OVER 250 machines from 40 suppliers are listed and described in the latest edition of "A Guide to Microfilm Readers and Reader Printers" published by G. G. Baker and Associates, and it is an interesting indicator of the rate of development in this field that 150 of them have been introduced *since the last edition was* published four years ago.

Much in favour of this book is the fact that exactly the same amount of space is given to each product—a half page—and that each is described in the same way and has a clear line drawing in the same style. Comparison is very simple.

Of the machines on sale in the UK, 42 per cent are made in the U.S., 28 per cent in this country, 14 per cent in West Germany and 6 per cent in Japan. Furthermore, due to a combination of increased throughput and competition, prices have increased on average by only 20 per cent in four years, from £134 to £160.

The book measures 8¼ x 5½ inches, has 224 pages and costs £6. More from the company at 54 Quarry Street, Guildford, Surrey GU1 3UF or ring 04868 6653.

● HANDLING

Simple belt tensioner

RHP BEARINGS has extended its range of "Self-Lube" housed bearing units to include a new type of conveyor belt tensioner, the BT series.

Of simple design, it is a compact assembly comprising a sealed ball bearing in a cast iron housing, and a holder that is simply bolted or welded into position.

RHP first analysed the many different types of arrangement used for belt tensioning and then made a cost effective unit that eliminates many of the expensive and time consuming features normally associated with belt tensioning.

The holder that acts as the slideway has been designed for ease of manufacture, so that a user can make his own if he prefers. The holder gives controlled adjustment up to 65 mm and its characteristics should meet most requirements.

RHP offers this unit in both metric and inch bore sizes within the range 25mm to 35mm and 1 to 7-16th in. There are two bearing housing sizes and one size of holder to suit both housings.

RHP Bearings, Transmission Bearings Division, POB9, Ferrybridge, Knottingley, West Yorks. WF11 8LS. 0977 84121.

● RESEARCH

Transistor circuits go faster

AN EXPERIMENTAL transistor microstructure that could lead to a new form of very large scale integrated (VLSI) circuitry has been produced at IBM Yorktown Heights.

Experimental circuits show the high switching speed of 0.8 nanosecond, double the packing density so far achieved, and low power consumption.

The new structure is a modified version of the silicon bipolar junction transistor that has been the keystone of the mainframe computer industry.

Recently, a type of logic circuit based on that technology has been gaining importance because of its high packing density (which allows many such tiny circuits to be placed close to one another) and its low power dissipation (which allows the highly packed circuits to function without overheating).

Called merged transitor logic (MTL) or integrated-injection logic, the circuitry had seemed promising for implementation in VLSI except for one serious drawback: MTL circuits built with the conventional bipolar technology and device microstructure have relatively slow switching speeds.

● AGRICULTURE

Protecting the soil from erosion by wind and water

NEW soil-conditioning material, the composition of which consists of about 40 per cent effluent from the paper industry, has been developed at the Technion-Israel Institute of Technology.

Extensive trials of the new conditioner have been carried out in co-operation with Makhteshim Chemical Works of Beer Sheva, and the way is clear for commercial production of a range of the materials to be known as Lima, Lia, Copolima and Copoliba.

Lima and Lia, when mixed with water, produce a transparent brown solution which will not precipitate and can therefore be sprayed with ordinary agricultural spraying or drip irrigation equipment without fear of clogging the nozzles. Copolima and Copoliba are stable emulsions and can also be sprayed without clogging.

Lima is seasonal and economical in use. The best results for completely arid soil are achieved by first preparing the seed bed mechanically, then planting, and finally spraying the soil with the Lima solution. The action of the conditioner prevents hard crusts, improves the germination of fine seeds and reduces clod sizes in heavier soil at harvest time. It has also been observed that, due to its stabilising properties, Lima spray not only reduces run-off during heavy rain but further reduces splashing of soil, as well as wash-off of soil by flowing water.

Dust damage and wind erosion of sandy soil can be drastically reduced for weeks at a time by a single application of Lima spray, which is effective even when very heavily diluted. Sand abrasion of plants, a real hazard to young seedlings, is reduced dramatically when larger doses of Lima in a greater dilution of water are used. Copolima gives more permanent protection to the sand that will not wash away, while Copoliba is by far the most stable against washing away and abrasion effects of free sand grains.

Dust on road sides, parking lots, playgrounds and gardens can be prevented by the action of the soil conditioners which bind the dust-sized particles and stabilises them. Granular raw materials can be preserved with Lima economically and without fear of pollution. Spraying with Lima may postpone and possibly eliminate the need to build a shed or special storage facilities. A single spray over a loaded lorry or railway cart can fix the surface of the granular material and the application of Lima around drainage pipes produces an artificial soil aggregate and prevents fine particles from washing into drains and clogging them.

Technion City, Haifa 32 000, Israel. Attention Professor Dan Zaslavsky.

● MAINTENANCE

Portable water jet

SPECIALIST in high pressure water jet production, Harben Systems of Salisbury, has developed a lightweight self-contained unit suitable for mounting on a Ford Transit chassis.

Although drain cleaning and maintenance is a prime market target, the unit can be used with the existing range of Harben high pressure accessories including a device for dealing with areas of floor, an abrasive injection equipment, and the company's submersible jet pumps.

Powered by a Perkins 35 hp diesel, the new system is available with one of three Harben pumps providing three, four or five thousand lb/sq inch at throughputs of 10.5, 8.0 and 6.0 gallons/min. respectively.

More from the company at Watt Road, Churchfields, Salisbury, Wilts. (0722 25424).

● MATERIALS

Rendering process licensed

WORLDWIDE rights to the Pfaudler fat conversion system held by the Sybron Corporation of Rochester, New York, have been acquired by the UK arm of Sweden's giant Axel Johnson Group.

The system is used for rendering edible and inedible animal by-products and degreasing bone for gelatine products.

Pfaudler equipment is modular, totally enclosed and continuous, and operates at relatively low temperature — approximately 93C—at a production rate of 2 tonnes/hr to 40 tonnes/hr.

It is based on a centrifugal process for separating the fats, protein meal and bone.

Low temperature, combined with rapid processing, yields exceptionally high quality fat and bone which is very suitable for subsequent gelatine manufacture.

Not least important, the system ensures good environmental conditions, in particular in the control of air and water pollution.

The A. Johnson factory at Wokingham, Berkshire specialises in the supply of equipment and total process systems for the food, pharmaceutical and chemical industries.

Details from the company at Molly Millars Lane, Wokingham, Berks RG11 2PU. Phone Wokingham 783838.

Pure water for chips

AS MORE and more electronic circuits are crammed on to the semiconductor integrated circuit, the electrical elements become ever more minute, conductor spacings are tiny fractions of a hair's breadth, and the chances of insulation interference are further magnified.

Thus problems of cleanliness can assume a serious level; apart from clean air, clean water becomes vital so that for example, ITT Semiconductors at Footscray has just seen fit to order £60,000 of purification equipment for its new 64k random access memory production line at Footscray.

This de-ionisation equipment MBA 800 will be used for the final "polishing" of the water before it is used for rinsing etched silicon slices to remove any trace of surface deposit.

Houseman has already supplied other equipment which involves softening and reverse osmosis, so that the ultimate quality of the water used, in conductivity terms, will be 18 megohms. Some 60,000 gallons of water a day will be treated.

Houseman (Burnham) is at the Priory, Burnham, Slough SL1 7LS (06286 4488).

THE PROPERTY MARKET BY MICHAEL CASSELL

Still room for rents to grow

WITH THE new year hardly underway the first round of rent predictions for 1980 is already underway.

According to two agents reports out this week there is, despite the uncertain economic climate, still mileage left for office rents in the City and adjacent Holborn.

Reports from Savills and De Groot Collis predict that rents may continue to rise—albeit at a slower pace than of late—with top quality office space in these areas in short supply and unlikely to completely satisfy demand in the immediate future.

Peter Oswald, one of Savills' City experts, says in the agent's annual review of the property scene that although the Government's present monetary policy may restrict sectors of the property market, particularly new development, there will be growing confidence in the City as a financial centre. The removal of exchange controls, he adds, should only enhance the Square Mile's strategic importance.

There would appear to be some justification in the thinking that rents for the very best-quality offices in the City will continue to be underpinned by supply-and-demand factors, with increased demand for space anticipated from potential growth areas like banking and other money market associated activities.

There is, however, less confidence about prospects for secondary properties. Rents at the weaker end of the market are much more likely to be affected by economic recession with firms reluctant to move because of the high costs involved.

This could lead to the two-tier property market in the City becoming more pronounced and the yield gap between prime and secondary properties widening as the recession starts to bite.

De Groot Collis also take a cautiously optimistic view of the Holborn office market where it says rents for the best quality space rose by as much as 50 per cent during 1979.

Rents for top quality air conditioned offices now stand at around £13.50 to £15 a sq ft compared with £20 a sq ft and more in the City.

De Groot Collis says that there are comparatively few Holborn developments and modernisations in progress and predicts that rents may rise a little further yet and will then remain "substantially at that level at least until the beginning of the summer."

ANDREW TAYLOR

IN BRIEF

- British Airways is to pay an initial £120,000 a year for a 15-year lease (from August, 1978) on 421, Oxford Street, *to be used* as a travel shop. The property, which has 5,760 square feet of ground floor and basement space, was acquired from Rama Superstores by BA's property department and Smith Melzack. A "substantial" premium was paid.
- Spillers has taken 11,800 square feet of space at 8, Gate Street, Lincoln's Inn Fields, at a rent of £100,000 a year. Edwards Bigwood and Bewlay were letting agents and Kinney and Green represented the tenants.
- At 7 Hanover Square, W1, 24,000 sq ft of space on three floors and held on two leases by Esso Petroleum has been assigned by Jones Lang Wootton to Trust Houses Forte Hotels. Rent passing is £307,225 a year and premium of £500,000 was paid for the leasehold interest and fixtures and fittings.
- Artagen Properties and Ulster Properties of Belfast are building a £6m, 78,500 sq ft office development on the site of the old Liverpool Stock Exchange. The six-storey building is due for completion in December 1981.
- City Land Securities has paid over £1.5m for the entire, eight-property portfolio of Consortium Property, Bristol, and sold on three buildings to the Prudential for over £1½m. Hartnell Taylor Cook acted for the Bristol group and Martin Clarke represented CLS.

Year-end brain-teaser—the answers and winners

MY THANKS to all those property buffs who sent in entries to the Christmas property quiz, the answers to which are printed below.

No competitor answered all the questions correctly and one or two (very wrong) answers displayed the type of vivid imagination to be expected in the property world. One U.S. banking entrant please note: Michael Stonehouse is not the correct name of the Minister responsible for planning.

The contestants with the fewest incorrect answers (three) were Messrs. Naresh Gudka and William Martin of Quilter Hilton Goodison and a magnum of champagne has duly been despatched and consumed. Happy New Year.

Narish Gudka and Will Martin, property analysts with Quilter Hilton Goodison, make a start on their winnings.

1—A £5m GLC grant to help modernise Earls Court.
2—EMI in deciding not to occupy its new Tottenham Court Road HQ.
3—Wallis Fashions who changed their mind about occupying space in MEPC's "West One" scheme.
4—English Property Corporation sold its Nice site.
5—Land Securities should be broken up, according to Sebag.
6—Mr. Hugh Brackett, chairman of Dollar Land.
7—The Location of Offices Bureau which spent unauthorised money in attracting overseas business to the UK.
8—Lambeth, in rejecting Greycoat Estates' offer to provide housing as part of the Coin Street scheme.
9—The Arab proprietors of the Dorchester Hotel.
10—Bouverie Properties—the U.S. investment arm of the NCB Pension Funds bought Continental Illinois Properties, which has an interest in the Watergate Complex in Washington.
11—Heron, after complaining of *intolerable* delays during the Coin Street public inquiry.
12—Lloyds of London.
13—Cyril Smith, Liberal MP to Morecambe Liberals in April.
14—The bankruptcy examination of William Stern heard he spent £17,000 on a Millais portrait with money obtained in loans from his own companies.
15—Lord Grade in buying Laurie Marsh's Intereuropean Property Holdings.
16—The CBI took space in Centre Point, owned by Oldham Estate — in which the Co-op is a major shareholder.
17—Mr. Kidwell was one of the *inspectors* appointed to investigate the affairs of Peachey Property Corporation. Evidence included reference to a £65,000 necklace ordered from Aspreys by the late Sir Eric Miller and to his connections with Fulham Football Club.
18—Legal and General Assurance and MEPC are developing the Long Acre site in Covent Garden. Or: Standard Life and Greycoat Estates at Cutlers Gardens.
19—BP are considering buying the Whitbread-Trafalgar development at Chiswell Street brewery site.
20—The Wembley Trust sold the Palace of Engineering next to Wembley Stadium.
21—Francis Pym, Secretary for Defence, applied to Mr. Michael Heseltine, Secretary for the Environment, to demolish his ancestral home—but was refused permission.
22—Shell UK says it will occupy office space in any Greycoat scheme which goes ahead on the South Bank.
23—The Corn Exchange, which had its building revalued to show a *37* per cent increase over the previous valuation only nine months before.
24—Taylor Woodrow wants to develop with others a £400m complex at Surrey Docks.
25—Dutch group Bredero and London Transport are joining forces to develop an office complex at Hammersmith Broadway.
26—John Lewis, which decided to go *to* Kingston after first agreeing to go to the new Capital and Counties development at Sutton.
27—The pension funds. Messrs. Colburn and Peat were members of the Northfield Committee and voiced serious reservations about the role of institutions in agriculture.
28—St. Quintin reproduced a picture of Number One Cornhill back to front on marketing material.
29—ODPs were ended on August 6, 1979.
30—London Metal Exchange is moving to Plantation House after 100 years in Whittington Avenue.
31—British Rail Property Board's Liverpool Street scheme.
32—Ladbroke bought the Westmoreland Hotel.
33—Mr. Oliver Marriott, author of "The *Property* Boom."
34—Mr. Tom King is directly responsible for planning, although as some competitors pointed out Mr. Heseltine has overall responsibility.
35. Development Land Tax. 80 per cent (old rate) 66⅔ (concessionary rate) 60 (new rate).

Picture questions: (left to right) (a) Mr. George Walker, chief executive of Brent Walker, who intends to build a Port Grimaud-style scheme at Southend. (b) William van Dijk of Wereldhave, who failed in his bid for English Property Corporation, which was taken over by Olympia and York, run by brothers *Albert and Paul* Reichman. (c) Billingsgate, which is due to be relocated on the Isle of Dogs. (d) *P & O* building. (e) Commercial Union.

APPOINTMENTS

Director

sought by a £200m British-registered trading company to run its London office. The company forms part of a major public group.

• RESPONDING to the Managing Director whose base is in the Far East, the role will include supervision of existing London-based overseas and UK trading divisions, coordination of the company's treasury/finance function and, most important, the development of new business.

• OVERSEAS TRADING EXPERIENCE and proven success in a general management role are both essential requirements.

• AGE 35-45. Salary indicator up to £20,000.

Write in complete confidence
to D. A. O. Davies as adviser to the group.

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INFORMATION SERVICES AND COMMUNICATIONS

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• RESPONSIBILITY is for the general management of a business employing 375 in offices throughout the UK. Career prospects are good.

• A GRADUATE experienced in the successful management of a sizeable undertaking in news and information dissemination or the provision of related services is required.

• SALARY negotiable above £15,000 plus car. Preferred age – around 35.

Write in complete confidence
to J. B. Tonkinson as adviser to the company.

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• THE SECRETARY controls a number of internal administrative departments, in addition to statutory responsibilities, and is a member of various subsidiary boards. An Assistant Secretary is to be appointed to deputise and to administer the Company Pension Scheme.

• A YOUNG ARTS GRADUATE, qualified in accountancy but wishing to concentrate on the secretarial side of business, is likely to be preferred. Previous experience of pensions administration would be helpful but not essential.

• SALARY about £10,000. Location Central London.

Write in complete confidence
to J.E.B. Drake as adviser to the company.

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Cazenove & Co.

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ASL Recruitment Advertising
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PUBLIC NOTICES

ROCHDALE METROPOLITAN BOROUGH COUNCIL BILLS

£2,900,000 Bills issued 9th January 1980 maturing 16th April 1980 at 13 61-64ths per cent and 16 1/16 per cent. Applications totalled £21,700,000 and there are £2,900,000 Bills outstanding.

CORPORATION BILLS

£7.0m Hants C.C. Bills issued at 15 11/16% on 11th January 1980 to mature 8th February 1980. Applications £42.0m. Outstanding £42.0m.

FINANCIAL MANAGER

THE COMPANY: C. Bosschaart Beheer B.V., a strongly-expanding medium-sized group of companies in the field of piping, sprinkler installations and service activities for the petrochemical industry located in the Netherlands in the Rotterdam area. Turnover is approaching £8 million.

THE JOB: To control the group's activities in the widest sense. Reporting to the chief executive, overall responsibility will be for the accounting area with particular emphasis on cash management and the prompt production of financial and management information. The function includes the further development of computer-based systems.

THE CANDIDATE: A chartered accountant, preferably under 32 years. Experience of computer-based systems and experience in control activities are essential. Flexibility and a lively and practical approach are an advantage.

THE SALARY: Salary commensurate with qualifications and experience, and in accordance with European standards as valid on the Continent, plus excellent benefits.

RESUMES TO: MR. J. A. STEINZ
VAN ANKEN AND ESSER
16, COLEMAN STREET
LONDON, EC2R 5AB

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COMPANY NOTICES

NOTICE OF RATE OF INTEREST
BANQUE EXTERIEURE D'ALGERIE
US$55,000,000 FLOATING RATE
SERIAL NOTES DUE 1989

In accordance with the provisions of the Reference Agency Agreement between Banque Extérieure d'Algerie and Citibank, N.A., dated as of 8th June, 1979, notice is hereby given that the Rate of Interest has been fixed at 15 1/4% and that the Coupon Amount payable on July 11, 1980, against Coupon No. 2 will be U.S.$770.97 and that such amount has been computed on the actual number of days elapsed (182), divided by 360.

By: CITIBANK, N.A., LONDON,
Agent Bank.
January 11, 1980.

COPENHAGEN TELEPHONE CO. LTD.
(Kjobenhavns Telefon Aktieselskab)

US$12,000,000 5 3/4% EXTERNAL
LOAN 1970/84

Bondholders of the above Loan are advised that the annual redemption due the 12th February, 1980, i.e. US$800,000 nominal, has been effected by purchase.

Privatbanken A/S.
Copenhagen, Denmark.
11th January, 1980.

JAMES BEATTIE LIMITED

NOTICE IS HEREBY GIVEN that the 6% Preference Share TRANSFER BOOKS of the Company will be closed from the 24th to the 31st January 1980, both dates inclusive.

By Order of the Board.
G. T. LOWNDES, Secretary.
71-78 Victoria Street,
Wolverhampton

BOND DRAWING

PROVINCE OF MANITOBA

9% 1970:1982
UA 12,000,000 LOAN

Bonds for the amount of UA 1,500,000 have been drawn on December 28, 1979 in the presence of a Notary Public for redemption on March 16, 1980.

The Bonds will be reimbursed at par, coupon due March 16, 1981 and following attached.

The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning:
at 1674 up to 4435 incl.

Outstanding drawn Bonds:
3383 and 3384, 4749, 4762 to 4770 incl., 4773 and 4774, 4786 to 4788 incl., 4796, 4800, 4867 to 4877 incl., 4901, 4913 and 4914, 4946, 4948 to 4951 incl., 4975 to 4977 incl., 5027, 5030 to 5033 incl., 5046, 5058 and 5059, 5062 to 5065 incl., 5068, 5073, 5090, 8613 and 8614, 9628.

Furthermore the Province will prepay on March 16, 1980 the total amount outstanding following the above redemption, i.e. UA 5,100,000 at 100.50 percent in accordance with the terms and conditions of the loan.

THE TRUSTEE
FINIMTRUST S.A.

Luxembourg,
January 11, 1980.

TRAVEL

GENEVA, Basle, Zurich and Berne, widest range of cheap flights from 4 UK airports. Brochure FALCON 01-351 2191.

CONTRACTS AND TENDERS

Lembaga Letrik Negara Tanah Melayu

National Electricity Board of the States of Malaya

Bersia and Kenering Hydro-Electric Project

Electrical Equipment

TENDERS ARE INVITED FROM MANUFACTURERS FOR THE FOLLOWING:

CONTRACT No. 5734/23
ANCILLARY ELECTRICAL EQUIPMENT

This contract comprises the supply, delivery and erection of the following.

Package A: Bersia

1. Five (5) 12 kV, 2000A, 50Hz, 500 MVA, 95 kV BIL minimum oil, air blast or single pressure SF_6 type electrically operated circuit breakers housed in sheet metal enclosed cubicles for controlling generators and power transformers.

2. Three (3) 12 kV circuit breakers as in item 1 but rated 630A.

3. Three (3) 11000/110V, 3 phase 50 Hz potential transformer cubicles.

4. Three (3) 12 kV surge diverter cubicles.

5. Two (2) 12 kV 2000A motor operated disconnect switch cubicles.

6. Three (3) sets of 12 kV, 2000A isolated phase bus assemblies for indoor and outdoor application.

7. Three (3), 11000/415V, 3 phase 50Hz, 500kVA, natural oil cooled transformers.

8. Eight (8), LV distribution boards.

9. Two (2) sets of 110V, 540 AH lead acid batteries with battery chargers.

10. Two (2) dc distribution boards and panels.

Package A: Kenering

1. Three (3) 12 kV 3000A, 50Hz, 750MVA, 95kV BIL minimum oil, air blast or single pressure SF_6 type electrically operated generator circuit breakers housed in sheet metal enclosed cubicles.

2. Three (3) 12 kV circuit breakers as in item 1, but rated 630A.

3. Three (3) 11000/110V, 3 phase, 50Hz potential transformer cubicles.

4. Three (3) 12 kV surge diverter cubicles.

5. Three (3) sets of 12 kV, 3000A isolated phase bus assemblies for indoor and outdoor application.

6. Three (3) 11000/415V, 3 phase, 50Hz, 500kVA natural oil cooled transformers.

7. Eight (8) LV distribution boards.

8. Two (2) sets of 110V, 540 AH lead acid batteries with battery chargers.

9. Two (2) dc distribution boards and panels.

Last date for receipt of application: 1 Feb./80
Document Issue: About 1 Mar./80
Tender Due: About 1 July/80

Tenders will be accepted for each Contract Package separately.

CONTRACT No. 5734/28
REMOTE SUPERVISORY CONTROL EQUIPMENT

This contract comprises the supply, delivery and erection of the following:

Remote Supervisory Control and Data Acquisition system for the remote control of Bersia and Kenering Hydro Electric power stations from the Temengor Power Station comprising:
—One computer based master station at Temengor.
—One microprocessor controlled remote station at Bersia.
—One microprocessor controlled remote station at Kenering.
—Provision of all necessary hardware and software for man-machine interface, control, benchboard, programming facilities, etc.
—Provision, as an option, of software packages and additional hardware for the cascade control of Temengor, Bersia and Kenering power stations.
—Provision of uninterrupted power supply equipment.

Last date for receipt of application: 1 Feb./80
Document Issue: About 1 May/80
Tenders Due: About 1 Sept./80

Tenderers shall be manufacturers or consortia of manufacturers of the items described and should have had previous experience in the design, manufacture and installation of equipment having the characteristics described. Full details of manufacturers' experience and their technical and financial competence must be forwarded with their application not later than the dates listed for the receipt of application to:

Project Manager
Bersia and Kenering Hydro-Electric Project
The Shawinigan Engineering Company Limited
620 Dorchester Blvd. West
Montreal, Quebec, Canada H3B 1N8

with copy to:

Project Engineer
Bersia and Kenering Hydro-Electric Project
Hydro Electric Division
4th Floor, National Electricity Board
129 Jalan Bangsar
P.O. Box 1003
Kuala Lumpur, Malaysia

accompanied by a documentation fee of US$250, International Bank Draft or Money Order, payable to LEMBAGA LETRIK NEGARA TANAH MELAYU.

Tender Documents will be issued by:

The Shawinigan Engineering Company Limited
Montreal

The document fee will be refunded only to applicants not issued the tender documents.

Tenders shall be delivered at the head office of LEMBAGA LETRIK NEGARA TANAH MELAYU, 129 Jalan Bangsar, Kuala Lumpur, Malaysia. The exact date and place for submission of tenders will be specified in the tender documents.

LEMBAGA LETRIK NEGARA is not bound to accept any application or to accept the lowest or any tender. LEMBAGA LETRIK NEGARA is not liable for costs incurred by tenderers in preparing tenders.

APPOINTMENTS

John Gardiner joins British Shipbuilders

Mr. John Gardiner has been appointed a part-time member of the Board of BRITISH SHIPBUILDERS for two years. He is chief executive of The Laird Group.

After leaving university in 1957 he joined the Prudential Assurance Company as an economist, and in 1960 joined the Financial Times, where he wrote the "Lex" column for several years. In 1968 he became an executive of the Industrial Reorganisation Corporation and in 1970, he became chief executive of The Laird Group.

Mr. Gardiner has also been a non-executive director of British Airways and British Leyland, a member of the National Enterprise Board and a member of the Government enquiry into the UK prison services. He is a non-executive director of Courtaulds, a member of the South Bank Theatre Board and a member of the Open University Council.

★

Mr. Peter Paxton has been appointed chairman of the Board of the £1.7bn sales CO-OPERATIVE WHOLESALE SOCIETY, principal supplier to Britain's 11,000 Co-op shops. He succeeds Mr. William Farrow, who has retired.

★

The Earl of Cromer, who is reducing his business commitments, has resigned as a non-executive director of the PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY. To fill the vacancies left by the resignation last September of Sir John Saunders and of Lord Cromer the P & O directors have appointed Mr. P. G. Cazalet, of the British Petroleum Company, and Mr. G. C. Hoyer Millar, of J. Sainsbury, as non-executive directors. Mr. J. F. Denholm, a non-executive director of P & O since April 1974, has been elected a non-executive deputy chairman of the Board in addition to Sir Eric Drake.

★

IBM UK has appointed Mr. J. S. McCracken as resident director Scotland and northern England succeeding Mr. D. J. N. Stirton who is returning to the company's head office in Portsmouth.

★

Mr. Michael Townson has been appointed a director of WHITEHOUSE MOORMAN AND PARTNERS.

★

From June 1 of this year Mr. Emil Koch is to head a new department of SWISSAIR to be known as "central services and affiliates" and which will initially include the data services, associated companies and central purchasing departments. Mr. Koch will be succeeded as head of the airline's sales and services department by Mr. Bertrand Jaquiery. Mr. Andre Clemmer takes over the Switzerland department from Mr. Jaquiery, while Swissair France will be headed by Mr. Urs Meier.

★

The Energy Secretary has appointed Dr. Robert H. Cummings as a part-time member of the MERSEYSIDE AND NORTH WALES ELECTRICITY BOARD for three years from January 7, 1980. He is chairman and senior managing director of Robertson Research International.

★

Mr. M. J. Gardiner has been appointed director and secretary of OFFICE AND ELECTRONIC MACHINES. Mr. D. G. Bradley and Mr. L. T. Smith (U.S.) have been appointed as directors.

★

Mr. A. A. Austin has been appointed managing director of HARRINGTON AUSTIN, insurance brokers. Mr. J. W. Harrington continues as chairman.

★

The new chief executive of CBF—the Irish Livestock and Meat Board is Dr. Anthony O'Sullivan. He succeeds Mr. John Corr. Dr. O'Sullivan is currently deputy managing director of the Milk Marketing Board for Northern Ireland.

★

ANTONY GIBBS AND SON has appointed Mr. R. B. Mead a director and Mr. K. W. Hart an assistant director. Antony Gibbs and Son manages the banking business of Antony Gibbs Holdings.

★

ALFRED BOOTH AND COMPANY has made the following appointments: Mr. D. C. Brown and Mr. R. Jones, both members of the parent Board, become directors of Alfred Booth Properties. Mr. A. M. M. Gossage, general manager of Alfred Booth Developments is appointed to the Board. Mr. A. J. Bickerstaffe, general manager of Booth Trading is appointed to the Board.

★

Mr. Mark B. Glossop has been appointed technical director of DOWTY MECO, Worcester, a Dowty Group mining division company.

★

Mr. C. Rossington has been appointed company secretary of DOWTY BOULTON PAUL. He succeeds Mr. G. A. Woolsey who has retired.

★

Mr. Arthur Lynas Whittaker has been appointed to the Board of DAVID DIXON AND SON HOLDINGS as group marketing and sales director.

★

UK OFFSHORE OPERATORS ASSOCIATION (UKOOA) have made the following appointments for 1980: president Mr. W. D. Stevens, vice-president (England) Mr. F. A. Taylor, vice president (Scotland) Mr. R. D. Maxwell, honorary secretary Mr. J. L. Danland and honorary treasurer Mr. R. D. West.

Post Office purchasing director

Mr. Clive Foxell has been appointed the POST OFFICE'S director of purchasing with responsibility for most of the orders placed with industry each year. He took up his appointment when Mr. Howard Cadwallader retired.

★

Mr. Laurie W. Deane has been appointed chief manager of LLOYDS BANK SCOTLAND. Mr. William S. Johnstone is to be the new account manager, Scottish branches.

★

Mr. R. A. (Dick) Cameron has been appointed a director of BLACKWOOD HODGE GROUP SERVICES.

★

Dr. Alan Gamble has been appointed technical director of JOHNSTONE AND CUMBERS, a member of the Horsell Group.

★

Mr. Gerald Pengilly has been appointed to the Board of SOUTH WEST CONSOLIDATED MINERALS, the mining subsidiary of Dundonian. He was managing director and chief executive of South Crofty until he resigned in July 1979.

★

Dr. Robert A. Easton, formerly planning manager, has been appointed director of planning at the DELTA GROUP.

★

Mr. James B. Davidson has been elected to the Board of FRED. OLSEN as group finance director.

★

Mr. Graham G. Anthony has been appointed commercial director of CIBA-GEIGY PLASTICS AND ADDITIVES COMPANY. He succeeds Mr. Hans R. Dürr who has taken a senior position in the central regional services department of the parent company in Basle.

★

Mr. R. G. Kersey has been appointed managing director of HYDRAULIC DRILLING EQUIPMENT in succession to Mr. L. H. Green, who becomes managing director of HUMPHREYS AND GLASGOW SERVICES. Both companies are subsidiaries of Humphreys and Glasgow.

★

Mr. John Jordan, a partner in PEAT, MARWICK, MITCHELL & CO., has been appointed partner in charge of the UK provincial management consultancy practice. He will control, in addition to the Birmingham office where he is resident partner, the Manchester, Leeds and Edinburgh offices which have previously been controlled from London.

★

Mr. Erwin J. Bleek has been appointed president of RAMADA EUROPE INC., Brussels.

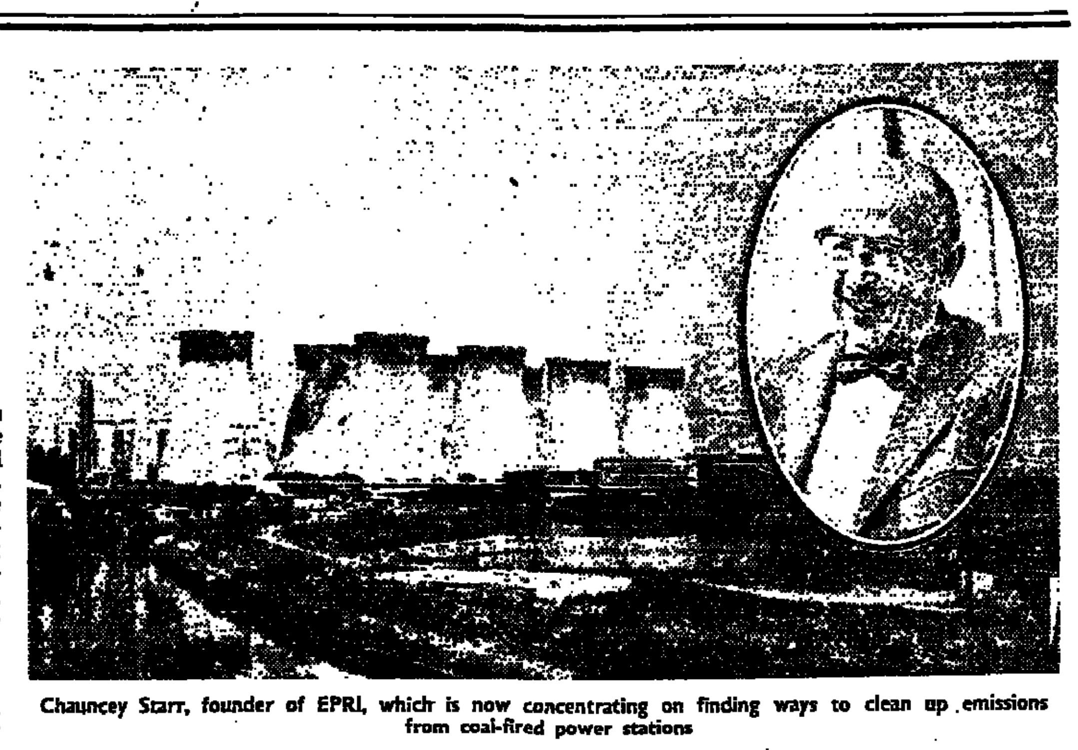
هكذا من الأصل

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How a spirit of co-operation lit up U.S. electricity industry research

David Fishlock reports on the Electric Power Research Institute



Chauncey Starr, founder of EPRI, which is now concentrating on finding ways to clean up emissions from coal-fired power stations

"IF THE insite had not exist, the acent on Three Mile Island wo have forced us t invent it This remark, by top cutive in the African elecity industry, in o way overates the standing that the U Electric Power Research Instite has achieved, in less than even years of existence, b particularly in e nine mons since the U.S. nuclear accid.

EPRI is a co-operative research orgasation, as unique and idiosyncrie in its ways as the man: t U.S. electricity supply indstry recruited in 1972 to fond it. Its research programmes funded by some 4,000 U.S. electricity-making organisatios, from large private an (two) state-owned utilities 1 tiny rural cooperatives organised by ranchers, its income, from a levy electricity sales, is that of a g national laboratory—$200 this year, $232m in 1980. Alto the; it manages research programmes totalling about $500 a year, many of them major developments for improving the "social acceptability" of ctrical plants.

I main thrust is aimed at cleng up present-day designs of il-fired plant by reducing emns of gases and dust, and by llaborating closely with the olicy-makers, to try to antipate evolving statutory reqements. It is also working rd on synthetic fuels for the 90s. Some of its projects are collaboration with other natis, including Britain and We Germany.

EPRI's headquarters stands on hillside at one end of "Son Valley," south of San Frasco. Its landlord is the Unersity of Stanford; its neighbours are the research centres of Syntex, Xerox, Hewlett-Packard and other high-technology giants Its environment is probably the most successful research campus the world has yet known, once dominated by aerospace activities but much more diversified today.

EPRI was founded by Dr. Chauncey Starr, now , one of the most original minds in the world of advanced technology and a pioneer of the fast breeder type of nuclear reactor. The idea originated with the U.S. Government's Office of Science and Technology in Washington, in response to President Nixon's energy message to the nation in 1971 Dr. Starr's brief was to plun the U.S. electricity industry into high technology; something it had previously been leaving to its suppliers. Since January 1973, when he set up shop with a staff of just two, the payroll has grown to over

Chauncey Starr brought to EPRI the experience of a long career spent managing research. He established it on management principles which he sums up in the words "minimum bureaucracy"—tight control of the cost coupled with an absolute minimum of interference with the research itself.

Those principles obliged him to keep the U.S. Government—a prodigious patron of energy R and D—at arm's length. "We can turn a programme round in a matter of weeks if we have to. It takes the government two years." EPRI will not accept Department of Energy funding, so eagerly sought by researchers elsewhere. "We don't want the government as a client."

The closest it will permit the government to come is into a partnership. This implies a joint management team for a project in which each patron gives the research contractor a separate contract for part of the work. In this way he keeps his programme immune from the fickleness of government funding policy, from congressional inquisitions, and above all from the "dinosaur project"—the doomed project no one knows how to stop.

EPRI is basically an organisation for managing R and D. It does none of its own, beyond its role as a "think tank." Its contracts, however, are placed with leading energy research centres throughout the U.S. and even offshore. For example, it is funding work by British Gas, the National Coal Board and the Central Electricity Generating Board in Britain. It has also set up dedicated facilities, operated by industry, for example, for testing cables and batteries.

Hostility

The hostility with which the big U.S. electrical suppliers—GE and Westinghouse—originally greeted its appearance has given way to recognition that EPRI is a valuable ally in launching new energy ventures, says Starr. He cites the demonstration superconducting generator that Westinghouse is building, mainly with EPRI's money. "We are swallowing the big risk—it is unlikely that any manufacturer would do this on its own."

Dr. Starr has recently relinquished his main responsibilities for EPRI and become responsible for its role as a think tank. Richard Balzhiser, one of the original team of three, is vice-president in charge of the $200m research programme. To him, the EPRI effort is "the most exciting thing that has happened to energy in several decades."

Its biggest single sector of research is on fossil-fuel generation of electricity, accounting for some 30 per cent of its programme. The main effort, however, is not on new ways of burning coal, such as fluidised-bed combustion and coal gasifiers; these are technologies for the nineties, believes Balzhiser.

At the moment, work is concentrating on cleaning up emissions from coal-fired plants.

The problem is that the U.S. Environmental Protection Agency is setting standards so high that expensive technology is required to meet them. Current designs of "scrubbers" for washing flue gases from the boiler raise "problems almost as great as those they are intended to solve," he alleges. His researchers estimate that 60 per cent of the cost of the latest designs of coal-fired stations is accounted for by emission control systems if the plant is destined for California, and 40 per cent if it is for the East Coast.

The division for energy analysis and environmental studies backs up the R and D on emission control by "providing more basic information for other decisions," says its director, René Malès. His team has developed close relations with the Environmental Protection Agency itself.

According to Malès, EPRI has now convinced the bureaucrats that atmospheric sulphur emissions—in the short term at least, and probably in the longer term too—are not endangering health. Interest has been refocused on such questions as whether there really is such a thing as "acid rain" and, if so, how it arises. EPRI is collaborating with the CEGB in flying sensitive instruments in a Met. Office aircraft over the North Sea—"a wonderful laboratory"—in a fresh attempt to investigate Scandinavian charges that Britain's tall stacks are generating "acid rain."

Malès' division is deeply embroiled in the problem of getting the subtleties of energy across to decision-makers, Congressmen among them. One example he offers is the concept of risk-taking. He muses upon the perennial problem of overcoming the "childlike innocence of having no risk—the world wasn't made that way."

For the Nineties and beyond, EPRI is working on synthetic fuels for the electricity supply industry. With a $20bn Government programme in prospect, the nation is gripped with what Dr. Balzhiser calls "synfuels fever." But he doesn't believe that it makes any sense yet to work on synthetic oils for burning in power stations. Better, he believes, to extract oil from shale for this purpose. Shale yields only 1 barrel of oil per tonne, compared with 2.5 barrels of oil per tonne from coal. But the latter has to be hydrogenated to make it useful—and that's the expensive step.

EPRI's sights are set on coal gasification as the technology which, in closed-cycle turbine systems, could be the basis of power stations of the future. It has recently completed a successful test run on the "slagging gasifier" developed by British Gas at its Westfield site in Scotland, demonstrating that the system is able to follow a changing demand for gas. Balzhiser has no doubt that America's "synfuels fever" will lead to the adoption of the slagging gasifier in the U.S. for high-BTU gas.

But EPRI's biggest synfuels project is one U.S. industry plans to fund without U.S. Government support. Balzhiser believes that the technology most advanced at present is the Texaco gasifier. He estimates that it will cost about $300m-$340m to build and operate a demonstration system turning 1,000 tonnes of coal a day into medium-BTU gas for a combined cycle (gas and steam turbines) powerplant. EPRI itself has pledged $50m—which will make the gasifier its biggest single project—and believes that industry will be willing to put up the rest.

Over the period 1979-83 EPRI plans to spend about 27 per cent of its R and D funds on nuclear energy, compared with a total of 44 per cent for advanced fossil fuel systems. Most of the nuclear programme is on light water reactors—improving availability and safety, and reducing construction time, for example.

It was only because EPRI was in existence before the accident on Three Mile Island that the electricity industry was able to react relatively quickly in a co-ordinated fashion. The immediate response was to set up the Nuclear Safety Analysis Centre, with a team of 35 headed by Dr. Ed Zebroski and backed by a budget of $3.5m for this year.

Its initial tasks included finding out precisely what happened, how it happened, and how the mistakes could be avoided in future. It provided technical support to the Presidential commission reporting upon the accident; and to the hapless utility which hopes one day to bring its reactor back into operation. Its work is expected to continue for at least another year or two yet. Next year's budget will double to $7.5m in the effort to cull all the experience possible from this traumatic "experiment."

Chauncey Starr himself has taken the leading role in stimulating another EPRI response to the accident: "a self-help instrument of the utility industry," as he calls it. This is the Institute of Nuclear Power Operations (INPO), to be set up in Atlanta next year with a staff of 300 professionals and a budget of at least $11m. INPO will police the electricity industry's nuclear plants—much as the health and safety directorate of the CEGB polices many of Britain's nuclear installations, independently of the government's nuclear inspectors.

INPO is seen as a permanent new institution, dedicated to improving constantly the management and performance of nuclear plants. Already under Dr. Starr's guidance it has formulated an emergency preparedness plan and trained 70 utilities in its use. It expects to be fully operational by the middle of next year.

The big question is whether it will have teeth. Will its "policemen" be able to shut down a reactor if they find the kind of flaws evident in the control room on Three Mile Island? To quote the boss of one of the biggest U.S. utilities "I don't visualise a utility ever refusing."

Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult originals should write to: P.O. Box 23, Wembley, HA9 8DJ.

Managerial Effectiveness in Developing Countries. O. ...hi in International Review of Administrative Sciences (Belgium), No 1/79: p. 1 (... pages)

Discusses approaches to the improvement of public administration in developing bureaucracies; argues that the effects of climate, culture, and religious beliefs on motivation and attitudes should be recognised, and gives examples of inhibiting culture-laden practices.

Computer Usage by Small European Firms. L. D. Neidleman in Information and Management (Netherlands), May 79: p. 87 (10½ pages, tables)

Sets out to determine why more small and medium-sized European firms don't use computers, and conversely to discover the determining factors of those who do; reports on a survey, and concludes that ignorance of the computer's capabilities and misunderstanding of the cost/benefit aspects are the main reasons for restricted use.

Marketing and the Small Industrial Firm. D. Ford and T. P. Rowley in Management Decision (UK), Vol. 17 No 2: p. 144 (12½ pages, chart, table)

Examines the extent to which the marketing concept is used by small companies, and finds owner-managers more concerned with production than with customers, unaware of the value of marketing information and marketing tools, and lacking in forward planning; suggests ways in which academics can improve the presentation of information on marketing to make its advantages more apparent to small business managers.

Dynamics and Hazards of MBO Application. J. P. Muczyk in The Personnel Administrator (U.S.), May 79: p. 51 (8 pages)

Discusses shortcomings in the literature of management by objectives performance review, and identifies MBO goals, defects and disappointments; argues that many of the defects are inherent in the process itself, and suggests that joint MBO / organisational-development strategies offer more likelihood of success.

International Compensation. P. Frerk in The Personnel Administrator (U.S.), May 79: p. 31 (4½ pages, illus.)

Describes the approach to international compensation—for performance, hardship and skills of expatriate employees—developed by Volkswagenwerk AG to take account of the increasing reluctance of staff to take overseas assignments. Outline factors considered in determining salary ranges, special allowances for exceptional cases, leave arrangements, non-monetary incentives, and health and welfare benefits.

Cost-Effective Product: W. Warner in Accountancy Age (UK), August 24, 1979: p. 14 (1 page, chart, tables)

Suggests that managers first make their decisions about levels of cost and that product ranges can then expand to justify costs; contends that if this is so, there is a danger that a reduction in product range will not lead to a reduction of costs but to a re-allocation as marketing and development staff justify their costs by developing replacement products.

UK and U.S. Standards — a Comparison: N. Blake in Accountancy (UK), September, 1979: p. 50 (4 pages)

Summarises the standards setting process in UK and U.S., and compares the respective roles of the Accounting Standards Committee and the Financial Accounting Standards Board; tabulates the pronouncements of both bodies (together with any equivalent International Accounting Standards) and identifies major points of difference.

Government Audit in Developing Countries: R. J. Briston in The Accountant's Magazine (Scotland), August, 1979: p.325 (3 pages)

Reports growing interest among African nations in moving from the legalistic audit carried out by public accounting firms towards a government audit, concerned not only with the traditional forms of stewardship but with efficiency, benefit to the economy, and achievement against plans; quotes the example of Egypt in creating a 3,000-strong force of government auditors; admits that many developing countries would have difficulty in building up their own auditing expertise, but warns the accounting profession to be aware of this trend.

The Social Report: H. Klooster in Doelmatig Bedrijfsbeheer (Netherlands), August, 1979: p.20 (3 pages, illus.; in Dutch, English version available)

Expresses concern over developments in "social reporting," already compulsory in France and Germany while still voluntary in Holland. Sees the glossies that are being published as one-sided expressions of opinion by boards of directors, intended for consumption by an audience which does not include the staff (for whom it's all old hat), and not even subject to independent audit like the accounts. The first "anti" view we have seen on this subject.

LOMBARD

Where subsidies are necessary

BY ANATOLE KALETSKY

OF ALL Britain's declining industries, few have deteriorated so markedly over the past decade as public transport. London, which once prided itself on having the best public transport system in the western world, now has one of the least reliable, and probably the most expensive. The cycle of fare increases well above the rate of inflation followed by dwindling passenger numbers, continuing losses and still higher fare increases and reductions in service, is familiar to all travellers in Britain.

It was not surprising, therefore, that the brief discussion paper on the commuter services published by British Rail just before Christmas was little more than a *cri de coeur*, since the railways are heading for financial disaster if the present trends continue. What was surprising, however, was that even British Rail seems to have been browbeaten into accepting the economic fallacy which has been largely responsible for pushing public transport policy down the blind alley in which it is now stuck. In its discussion paper, BR asserts without hesitation that "ideally, income from fares should be sufficient to offset the direct costs of railway operations—and leave enough cash over to finance indirect costs and provide investment for future improvement."

In fact, since 1844, when the French engineer and economist, Jules Dupuit, published an article called "On the measurement of the utility of public works," market economists have recognised that certain industries, including most notably the railways and roads, should be organised in a way which does not require them to cover their costs. There are two reasons for this, at least in the ideal world to which the classical economic model of Adam Smith and his successors applies. These reasons, known to economists as "external effects" and "falling marginal costs" should be familiar to any "A" level economics student.

The consumption of certain economic goods may not only give satisfaction to the person who consumes them, but may also have "external effects" on other members of society, who are not directly connected with the consumer. For instance, British Rail argues in its discussion document that its commuter services "benefit the whole community," by enabling industry and commerce to operate in Central London and by reducing traffic congestion and pollution. But the price a traveller is willing to pay for his rail ticket will reflect only the benefit which accrues to him personally from his train ride. If others who benefit from the "external effects" of rail travel—employers, motorists and local authorities—subsidised train tickets, everyone would be better off.

Grudging

The second economically sound reason for subsidising public transport is "economies of scale." Once a railway line is built and the rolling stock purchased to provide a reasonably frequent service, it is a waste of these expensive resources to set fares so high that trains run quarter-full for much of the time. The cost of carrying an extra passenger on a train with an empty seat is very small, and even the cost of sending an extra train to accommodate 500 passengers, is small in relation to the costs of maintaining the track and signalling system. But the classical economic model shows that the most efficient use of resources can be obtained through the market only if prices are equated to marginal costs.

Of course successive governments have not been able to ignore these basic economic principles entirely. The Government now provides £451m in passenger subsidies to British Rail, which goes some way to cover the system's £644m overheads, but leaves nothing at all for encouraging off-peak travel at negligible marginal cost. The money is given grudgingly, reduced in almost every round of public expenditure cuts and carries the proviso that the railways must reduce their call on public funds. This will mean excessive fare increases, cuts in services and ever more inefficient use of a huge national asset. Subsidising public transport is as much an economic duty of any modern government, as protecting competition or regulating the money supply.

Royal Photographic Society looks to the West and finds an ideal home

LEARNED SOCIETIES are not normally seen—or indeed see themselves—as tourist attractions. But Bath believes it will have a big new draw when the Royal Photographic Society moves its headquarters from a cramped building in London's Mayfair to Milsom Street, the most famous shopping street in the west of England.

First stage

Late next spring, in time for the Bath Festival, the society hopes to open the first stage of its £500,000 National Centre of Photography. For the public there will be an exhibition centre displaying contemporary photography and a history of photography, a lecture theatre and cinema, and a shop specialising in books on photography, reproductions, etc. Behind the "shop front" will be the society's research department, archives, data bank (linked to Bath University's computer) and the headquarters of the society.

The society's new home will be the Octagon, a charming 18th century proprietary chapel in which the wealthy could purchase a pew. It is now owned by Bath City Council and long looked upon affectionately as a "village hall" for meetings, fund-raising fairs, and so on. But Bath was losing money, for the sadly neglected building was being hired on only about 85 days a year.

David Beeton, chief executive of Bath City Council, saw his opportunity in 1976 when he heard from the vice-president of the society at a conference in Bath that the photographers wanted a new home. "I decided then and there they should come to Bath." Mr. Beeton, although not a Bathonian, is a pastmaster at public relations for the city. Not least of the appetisers he devised to whet the photographers' interest in the city was a champagne party in the hot springs.

The society grew very excited at the prospect of realising several ambitions in one big project. Kenneth Warr, its secretary, sees the Octagon as the Mecca for all photographers. "We aim to make Bath the centre of photography certainly in this country, probably in the world." The photographers were delighted to learn that the organist of the original Octagon chapel was a former Astronomer-Royal, William Herschel, discoverer of the planet Uranus, whose son discovered "hypo," the photographic developing agent. They drew up this £500,000 scheme for simultaneously modernising and restoring the Octagon.

But Mr. Beeton ran into rough waters when Bath found it was losing its "village hall." Ratepayers were not readily persuaded that the 100,000 visitors a year the society hopes to get—and which he thinks "realistic"—justified the plan, even though at this rate it would earn Bath a small profit. Objectors also complained bitterly about architectural changes—until the City Architect explained that they were merely proposing to remove modern embellishments and restore the Octagon to its original design. Finally, Mr. Beeton won over the charities this autumn when he arranged for them to hold their Halloween fair in his own HQ, the Guildhall, and they made much more money than ever they had in the Octagon.

AROUND BRITAIN

BATH

Almost unseen by the New Year sales shoppers thronging Milsom Street, restoration of the Octagon is now well advanced by a local builders, J. Long and Sons. The architect is Roy Worskett, until recently Bath's own chief architect, who has been involved in the scheme from its inception. The society has raised about half of the money it needs, much of it through donations from the photographic industry but nearly £50,000 from its own 7,000 members.

In order to accommodate idiosyncrasies in the old buildings involved in the conversion, Mr. Worskett has devised an ingenious two-level area of public display, encompassing both the octagonal arena on the ground floor and a first-floor gallery which follows the same contours. The main display of photography—prints, projections and audio-visual displays—will be viewed from the gallery. The exhibition area lends itself admirably to intricate patterns of illuminations, when needed. This area will be devoted to contemporary photography.

The gallery itself and an adjoining corridor will be used to display the history of photography. This will include treasures long buried in the basement of the society in London. One is a magnificent copper lantern, gas-fired, and dating from 1870. This "triunial" (three views in one) lantern used a system of valves to switch its gas lamps automatically from one slide to another so projecting a sequence of dissolving views of the same subject.

An 'original'

Another gem is what the society's archivist Arthur Gill calls "the original Polaroid camera": a French invention of the 1850s, in which the whole process—sensitising the plate, exposing it, and developing it—takes place inside the same wooden box. At each stage the appropriate chemical is introduced and the camera swished around to wet the plate. It takes ... also took the ... able to produce a charmingly illustrated step-by-step guide to using the camera.

Big question

But for the Royal Photographic Society's big question is, if it raises the money to finance the full scheme, will it capture enough of the public to justify the display on its "shop window"? The Octagon is in the centre of town, midway between the city's two biggest tourist attractions, the Roman Baths which draw about 750,000 a year and the Museum of Costume, 200,000. Kenneth Warr, so confident of getting 100,000 visitors a year, is to propose a scheme, accepted by Bath City Council, for increasing the rent the city pays for the Octagon at the same rate as gross takings increase at the Roman Baths and the Museum of Costume.

David Fishlock

Winter's stable is looking good

RACING

BY DOMINIC WIGAN

FRED WINTER'S Uplands stable says there are no immediate plans for Rathconrath, who has a minor pulled muscle. Although this news will come as a disappointment to the many admirers of Rathconrath, who had hoped to see the Lambourn Champion Hurdle prospect in action within the next week or two, Winter remains confident that the horse will soon be entrenching himself firmly at the forefront of the Cheltenham betting.

Further encouragement for those believing that Rathconrath represents by far the best ante-post value for the Champion Hurdle at odds of around 16-1 is that he is now as sound as ever in his career.

This afternoon at Ascot, Uplands relies on Malcus, Pardon, and Arctic Prince.

Owen Glyn was Winter's anticipated contender for the Hairy Mary handicap hurdle over three miles and it is now interesting to see the seven times champion trainer relies instead on Pardon. This six-year-old son of Busted more than paid his way in the 1978-79 campaign, winning at Kempton, Newbury, and Ascot.

Held up before cruising to an effortless victory when amateur ridden over two and a half miles on this course, 13 months ago, Pardon returned to the winner's enclosure at Sandown last time out; getting up close home to give weight and a beating to Boardmans Special, with Ghost Writer a close third.

Pardon, whose victory foiled a gamble on the runner-up, has yet to tackle today's trip of three miles. However, it should present no problems to him on breeding.

Three runs to date have not shown Malcus to be more than a moderate hurdler. However, there is no doubt that Winter would not bother to saddle him for the opening division of the Silver Doctor Novices Hurdle were he not confident that the four-year-old has the potential to win such a competitive event.

ASCOT

1.00—Malcus**
1.35—Zarzaitine
2.05—Pardon***
2.35—Western Rose*
3.05—Tommy Joe
3.40—Mill Street

TV Radio

† Indicates programme in black and white

BBC 1

12.45 pm News. 1.00 Pebble Mill at One. 1.45 Mister Men. 3.20 Pobol y Cwm. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.20 The Nitwits. 4.35 Jackanory. 4.50 Tarzan, Lord of the Jungle. 5.15 Grange Hill. 5.35 The Perishers.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
7.00 The Superstars.
8.00 My Wife Next Door.
8.30 Francis Durbridge presents "Breakaway."
9.00 News.
9.25 The Assassination Run.
10.15 Points of View (London and South East only).
†10.20 The Burns and Allen Show (London and South East only).
10.45 Regional, National News.
10.50 The Late Film: "The Sterile Cuckoo" starring Liza Minnelli.

All Regions as BBC 1 except as follows:—

Wales—1.45-2.00 pm Cwmtigili. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.30 Antur I'r Andes. 8.00-8.30 My Wife Next Door. 10.15 Music Makers. 11.00 News for Wales. 11.01 The Late Film: "Pancho Villa" starring Telly Savalas. 12.30 am Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 1.00-1.30 Cearcall. 5.55-6.20 Reporting Scotland. 10.15 Spectrum. 10.45-10.50 Regional, National News.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 "I Don't Want the Moon and the Stars" (play). 10.45-10.50 Regional, National News.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) The East Anglians; Midlands (Birmingham) Midlands Tonight; North (Leeds) The Comics; North East (Newcastle) Coast to Coast; North West (Manchester) Unlucky For Some?; South (Southampton) The Entertainers; South West (Plymouth) Summer Serenade; West (Bristol) Journey Back.

BBC 2

11.00 am Play School.
†5.35 Flash Gordon Conquers the Universe.
5.55 Newsround Africa.
6.25 Monkey.
7.05 Delia Smith's Cookery Course.
7.30 Mid-Evening News.
7.35 In the Country.
8.00 Jethro Tull and Ian Anderson.
9.00 Pot Black 80.
9.25 International Pro-Celebrity Golf.
10.15 Sacha starring Sacha Distel.
10.55 Late News.
11.10 The Old Grey Whistle Test.

LONDON

9.30 am The Search for the Persian Royal Road. 10.20 "Wild and Woolly." 11.55 The Bubblies. 12.00 Song Book. 12.10 pm Once Upon a Time. 12.30 Simply Sewing. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. †2.45 Friday Matinee: "Conflict Of Wings." 4.15 The Flockton Flyer. 4.45 Magpie. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News.
6.30 Thames Sport.
7.00 The Muppet Show.
7.30 3-2-1.
8.30 A Sharp Intake of Breath.
9.00 Brian Moore Meets Niki Lauda.
10.00 News.
10.30 Soap.
11.00 The London Programme *looks at Operation Countryman.*
11.45 Chopper Squad.
12.45 am Close: Richard Briers reads from 'Hi!' by Norman Habel.

All IBA Regions as London except at the following times:—

ANGLIA

9.40 am The Fire and the Snow. 10.30 Fireside Theatre. 11.20 The George Hamilton ITV Show. 11.45 Cartoon Time. 1.25 pm Anglia News. 2.45 Houseparty. 3.15 General Hospital. 5.15 Happy Days. 6.00 About Anglia. †10.30 Friday Late Film: "Since You Went Away." 1.30 am Women Who Matter.

ATV

9.15 am World Leaders. 10.15 Wilkie in Winter. 10.40 Cabbages and Kings. 11.05 The Outsiders. 1.20 pm ATV Newsdesk. 2.45 Fantasy Island. 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 ATV Today. 11.00 ATV Newsdesk. 11.05 Feature Film: "21 Hours At Munich."

BORDER

10.05 am Friday Morning Movie: "Heavens Above." 1.20 pm Border News. 2.45 Houseparty. 3.15 General Hospital. 5.15 Bailey's Bird. 6.00 Lookaround Friday. 6.30 Mr. and Mrs. 10.30 Your MP. 11.00 Friday Night *Movie: "Sands of the Kalahari,"* starring Stanley Baker. 12.30 am Border News Summary.

CHANNEL

1.20 Channel Lunchtime News and What's On Where and Weather. 2.45 Friday Matinee: "Mobile Two." 6.00 *Report At Six. 6.35 In Search Of ...* 10.28 Channel Late News. 10.35 The Danton Review. 10.55 TV Movie Premiere. 12.40 am News and Weather in French.

GRAMPIAN

9.30 am First Thing. 9.35 The Lost *Islands. 10.00 Technoflash.* 10.30 "Cry of the Wild." 1.20 pm North News Headlines. †2.45 Friday Matinee: "Very Important Person," starring James Robertson Justice. 6.00 North Tonight. 6.35 Sportscall. 10.30 Points North. 11.30 Reflections. 11.35 Celebrity Concerts (Johnny Mathis). 12.30 am *North Late Night Headlines* and Road and Ski Report.

GRANADA

9.30 am Sesame Street. 10.30 Wild Canada. 11.15 Dick Tracy. 11.20 The Lost Islands. 11.45 The Magic Ball. 1.20 pm Granada Reports. 2.00 Live From Two. *2.50 Movie Premiere: Jackie Cooper in Mobile Two.* 5.15 Mr. and Mrs. 6.00 Granada Reports. 6.30 Kick Off. 10.30 Vegas. 11.25 Soap. 11.55 House of Horrors: Boris Karloff and Christopher Lee in "The Curse of the Crimson Altar."

HTV

10.10 am Kum Kum. 10.35 "Les Sylphides," performed by the New Zealand Ballet Company. 11.00 The Life and Times of Grizzly Adams. 11.50 Larry the Lamb in Toytown. 1.20 pm Report West Headlines. †2.45 The Friday Matinee: "All For Mary." 5.15 Mr. and Mrs. 6.00 Report West. 6.30 The Muppet Show. 7.00 Emmerdale Farm. 10.30 Report Extra. 11.00 The Friday Film: "Cotter."

HTV Cymru/Wales—As HTV General Service except: 1.20 pm Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines. 4.15-4.45 Y Fuddugoliaeth. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30-11.00 The Electric Theatre Show.

SCOTTISH

9.30 am It Rained Three Times Last Year. 10.20 Film: "Sebastian," starring Dirk Bogarde. 11.55 The Bubblies. 1.20 pm News and Road and Weather. 2.45 Young Ramsay. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Scotland Today. 6.30 Emmerdale Farm. 10.30 Ways and Means. 11.00 Late Call. †11.05 *Late Night Movie:* "The Pleasure Girls."

SOUTHERN

9.30 am Clue Club. 9.55 Coral World. 10.45 The Rovers. 11.10 Young Ramsay. 1.20 pm Southern News. 2.45 Houseparty. 3.15 General Hospital. 5.15 Mr. and Mrs. 6.00 Day By Day. 6.00 Scene South East (South East area only). 6.30 Out of Town. 10.30 Southern News Extra. 10.35 Southern Report. 11.05 Soap. 11.35 The Late, Late Show: "When The Heavens Fell."

TYNE TEES

9.20 am The Good Word followed by North East News Headlines. 9.30 Stars On Ice. 9.55 Animated Classics. 10.45 Untamed Frontier. 11.00 In A Balloon Over The Alps. 11.35 The Lost Island. 1.20 pm North East News and Lookaround. †2.45 Friday Matinee: "Gangways," starring Jessie Matthews. 5.15 Laverne and Shirley. 6.00 Northern Life. 6.25 Sportstime. 10.30 North East News Headlines. 10.35 The Friday Night Film: "Madhouse." 12.30 am Epilogue.

ULSTER

10.35 am Friends of Man. 10.50 Fireside Theatre. 11.45 Sean The Leprechaun. 1.20 pm Lunchtime. 2.45 Cartoon Time. 2.50 Friday Matinee: "Mobile 2." 4.13 Ulster News Headlines. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 Sportscast. 11.00 Witness. 11.05 Friday Film: "Where Have All The People Gone?" 12.25 am Bedtime.

WESTWARD

9.55 am The New Avengers. 10.45 Early One Morning. 11.10 Chopper Squad. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.45 *Friday Matinee:* "Mobile Two," starring Jackie Cooper. 6.00 Westward Diary. 6.30 The Weekend Show. 6.50 Just The Job. 10.32 Westward Late News. 10.35 Danton Review. 10.55 TV Movie Premiere: "One Of Our Own," starring George Peppard. *12.40 am Faith For Life.* 12.45 West Country Weather, Shipping Forecast.

YORKSHIRE

9.30 am Heritage. 10.20 Daisy, Daisy. 10.35 Cartoon Time. 10.45 Wild, Wild World of Animals. 11.10 Cash and Company. 1.20 pm Calendar News. †2.45 Friday Film Matinee: "Cast A Dark Shadow." 5.15 Mork and Mindy. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Calendar Sport. 11.00 The Friday Night Film: "Cruise Into Terror."

RADIO 1

(S) Stereophonic Broadcast
‡ Medium Wave

5.00 am As Radio 2. 8.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 5.30 Newsbeat. 5.45 Roundtable. 7.30 Anne Nightingale. 9.50 Newsbeat. 10.00 The Friday Rock Show (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) 2.15 Ray Moore (S). 4.15 Much More Music (S). 5.05 Waggoners' Walk. 5.20 John Dunn (S). 6.45 Sports Desk. 7.02 Listen To Les (S). 7.30 Fiesta De Donna (S). 8.02 Friday Night Is Music Night (S). 9.55 Sports Desk. 10.02 Barn Dance. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.03-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S) 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Bartok (S). 10.00 BBC Northern Ireland Orchestra (S) 10.45 Young Artists Recital (S). 11.40 London Saxophone Quartet (S). 12.10 pm Midday Concert part 1 (S). 1.00 News. 1.05 Midday Concert part 2 (S). 1.50 The Arts Worldwide. 2.10 The Music of Slovakia (S). 3.10 Cohen Trio (S). 3.55 Comparing *Notes (S). 4.55 News.* 5.00 Mainly For Pleasure (S). 7.10 One Pair Of Ears. 7.25 Play It Again (S). 7.30 Tippett and Beethoven concert, part 1 (S). 7.55 Sweet Compulsion. 8.15 Concert, part 2 (S). 9.10 Sol Plaatje (S). 10.00 Rozhdestvensky and the BBC Symphony Orchestra play Prokofiev. 11.00 Wagner's "Gotterdammerung" (talk by John Culshaw). 11.30 Troubadour Songs (S). 11.55-12.00 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today. 8.45 The Great Railway Bazaar. 9.00 News. 9.05 Desert Island Discs. 9.45 Enquire Within. 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 The Bridge of San Luis Rey. 11.00 News. 11.05 The Odd Couple—Parliament and the BBC. 11.50 Bird of the Week. 12.00 News. 12.02 pm You and Yours. 12.27 My Music (S). 12.55 Weather; programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's *Hour from Bristol. 3.00 News.* 3.02 Listen With Mother. 3.15 Afternoon Theatre. 4.10 Chapter One, Page One. 4.40 Preview. 4.45 Short Story. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.35 Week Ending (S). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Church Orchestras. 11.45 Just Before Midnight (S). 12.00 News.

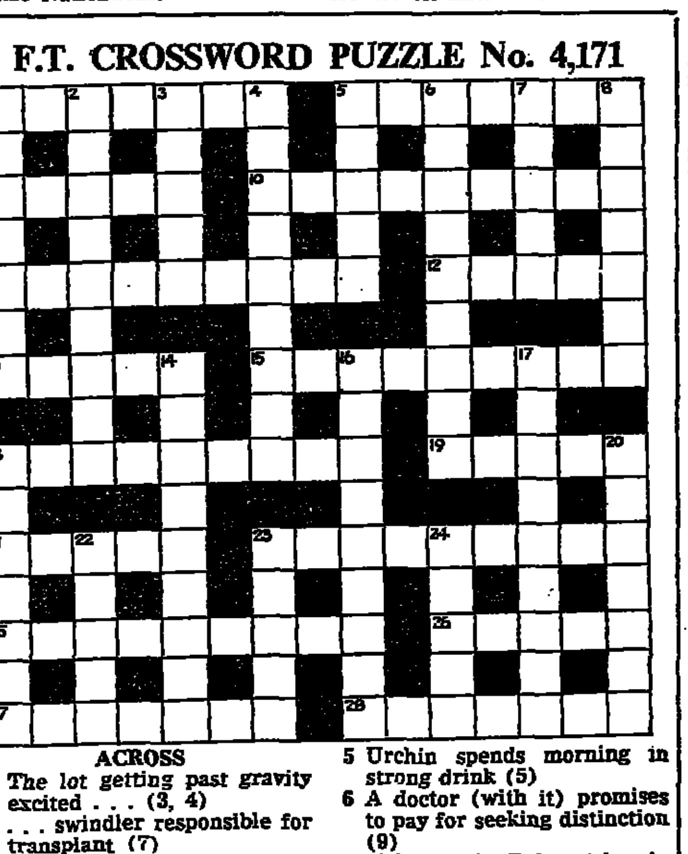
BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 The Extra Ordinary Level Show. 8.15-5.00 am Join Radio 2.

London Broadcasting

5.00 am AM with Bob Holness and Douglas Cameron. 10.00 The Brian Hayes Show. 12.00 LBC Reports. 8.00 pm After Eight with Therese Birch. 9.00 Nightline with Geoff Sims. 12.00 LBC Reports Midnight. 12.30 am Decision Makers. 1.00 am Night Extra with Hugh Williams. 5.00 Morning Music

F.T. CROSSWORD PUZZLE No. 4,171



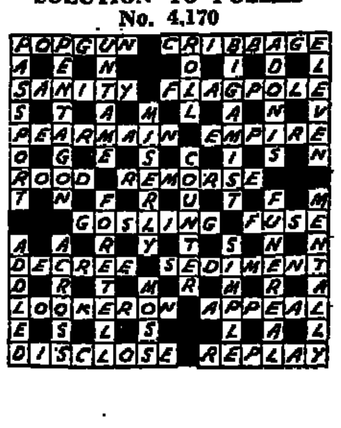
ACROSS

1 The lot getting past gravity excited . . . (3, 4)
5 . . . swindler responsible for transplant (7)
9 Pray at home for Middle East leader (5)
10 See how fast creature is giving present (4, 5)
11 Article engineers take on immediately afterwards (9)
12 Child needs a pound to complete . . . (5)
13 . . . part of Ireland sounding cunning on leave (5)
15 Fully occupied in being expressed in legal form (9)
18 About to get in habit of being corrected (9)
19 Exclusive southern trading association (5)
21 Beauty of victory in Europe by students' union (5)
23 Soldier with some hesitation joins predatory vessel (9)
25 Irritate party attached to border (3, 2, 4)
26 Very proper oriental chief (5)
27 Sent incorrectly to cathedral in a nail-biting way (7)
28 Outstanding champion boxer posted outside (7)

DOWN

1 A right objection to useless evergreen (7)
2 Convict at back of trail (3, 6)
3 Information that is provided by supernatural spirit (5)
4 Obtained circular papers to be printed (2, 2, 5)
5 Urchin spends morning in strong drink (5)
6 A doctor (with it) promises to pay for seeking distinction (9)
7 Upbraid old Bob getting in tangle (5)
8 Beer upset newsman when feasted (7)
14 New Year honour is going to a northern church with due deference (9)
16 Faint-feeling soldier takes divine over one Scots loch (9)
17 High-hat catches flue (5, 4)
18 Can it be the parson to stay with again? (7)
20 Sign for future wine with ten ingredients (7)
22 Impracticable either way (3, 2)
23 Two old coppers enter salary of Irishman (5)
24 A biblical letter writer heard with dismay (5)

SOLUTION TO PUZZLE No. 4,170



ENTERTAINMENT GUIDE

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THE ARTS

Elizabeth Hall

Tippett at 75

by RONALD CRICHTON

Sir Michael Tippett was 75 on January 2. A hall full of musicians and musical people greeted him with affection on *Wednesday* night when the English Chamber Orchestra made their contribution to the celebrations. Tippett himself conducted the Concerto for Double String Orchestra as a fitting finale: Norman Del Mar was in charge of the remainder. Though we are promised a new work—a Triple Concerto for string trio and orchestra—in the autumn, the "world premiere" in Wednesday's concert was in fact the first public hearing of a piece broadcast by the BBC in 1960—*Words for Music Perhaps*.

The words in question are poems by Yeats from the collection of that name and also from *A Woman Young and Old*. Tippett uses a speaking voice (or voices) and five instrumentalists. The poems are not "set" but are introduced, linked and concluded by brief fragments of music, sparing but telling, compressed in a way unusual with this open-handed composer, making much out of little. He has said "Nowadays I am disinclined to 'destroy' the verbal music of any real poetry by instrumental or vocal music and prefer to 'manufacture' a scenario of words myself."

That throws light on his attitude to opera texts and on his obstinate decision to write his own (and also, surely, implies a rather cavalier way of looking at good librettos of the past). Is it too late to hope for further experiments in this field and for new adventures in the disputable but interesting genre of melodrama—spoken words accompanied by music? One or two of the Yeats poems just overlap with the instruments, but only just; not long enough to show what difficult bedfellows for a speaker Tippett's combination of violin, cello, bass clarinet, trumpet, percussion and piano might prove to be.

The speaker on this occasion was the admirable Michael Hordern. For the original broadcast one male and two female voices were used: many of the poems demand a woman speaker, but there is presumably no reason why the sexless convention of Lieder recitals should not apply. The scheme of works for chamber orchestra and smaller groups also included the *Songs for Ariel* written for an Old Vic *Tempest* in 1962, presumably before Tippett's feelings about not "destroying" poetry had taken deep root. The first two did not lie well for the talented tenor Paul Elliott (though he did justice to the words) and the magic which we know the songs hold did not fully work until "Where the bee sucks."

Of the orchestral works conducted by Del Mar the Fantasia *Concertante on* a theme of Corelli glowed with rich life especially in the splendid Andante-Adagio pages before the end. Not every tendrilly line was absolutely clear but they were not scratchy. The "Sellinger's Round" Divertimento on the other hand was short of the Stravinskyan crispness that so curiously and effectively combines with the more homespun aspect (the work was written for Paul Sacher—what can the Swiss have made of all those English musical allusions?). The ECO produced beautiful string tone for the composer in the slow movement of the Double Concerto. He and they did justice to the brimming finale—one of the strongest impressions left by the concert was of Tippett's inspiring gift of melody.

Covent Garden

Mayerling

by CLEMENT CRISP

David Wall and Wendy Ellis

David Wall's performance as Crown Prince Rudolf in *Mayerling*, on that ballet's return to the repertory on Wednesday, seemed to me better than ever before. After a period of injury, Wall is back on his best technical form, the flow of the dance rich, strong entirely expressive. More significant in this instance his portrayal of Rudolf has gained in intensity: the development of the character stated with unerring precision, the progress from neurotic youth to ravaged and broken despair magnificent in its inevitability as in its power to touch our feelings at every moment. The fevered gaiety, the corroding Oedipal fixation, the furious sexuality, are exactly shown: never once do we doubt how Rudolf suffers, nor why.

Even in this beautiful interpretation, certain passages are of especial potency; the interview with his mother (taken with a fine-drawn unease by Monica Mason); the marriage-night assault upon his bride (Wendy Ellis, as ever a most pathetic victim); the final scene with Lesley Collier's highly sensual Mary; all were dance acting of the grandest calibre. Most telling as testimony to Wall's stature, his immobility during Katherina Schratt's song. A mood established during the preceding scene of family tensions is held by Wall in one long frozen pose of grief, of tears unshed, of unendurable pain of spirit. His tense, unmoving body is, perhaps ironically, a tribute to great dance artistry.

In a fine company performance mention must also be made of Merle Park's continuing flawless playing as Larisch. About the production itself, much to say after major cast changes next week.

Frankfurt Schauspielhaus

Don Carlos

by RONALD HOLLOWAY

Friedrich Schiller's *Don Carlos* on Christmas Day at the Frankfurt Schauspielhaus followed on the schedule by a second production the next day in Stuttgart, already amounts to a cultural event—something like Wagner's *Parcifal* at the opera on Good Friday or Easter Sunday. But when Peter Palitzsch bades farewell to Frankfurt with *Don Carlos* after a decade as artistic director, while Hansgünther Heyme opens with Schiller his tenure as Stuttgart Intendant, then it's also a special occasion for critics to sharpen their pens and first-nighters to refreshen their memories.

Schiller is Germany's Shakespeare—the test of a director's vision and an ensemble's artistic range. *Don Carlos* maintains a position in German classic repertory similar to *Hamlet*: not only are the central title-figures alike in temperament and cursed by destiny, but famous actors who have measured their careers by performances of the Melancholy Prince are liable to crown their last years with the role of the brooding, tragic King Philip II (a kind of aged Hamlet in a sixteenth-century baroque Spanish court).

Gustaff Gründgen's Philip in his own production of *Don Carlos* at the Hamburg Schauspielhaus in 1962 (his last stage role before his death) left little doubt that he was "the Olivier of the German theatre." Other legendary productions were by Max Reinhardt, Leopold Jessner, and Fritz Kortner. And now that we are entering upon the eighties with those demanding 200th anniversaries of several Schiller production — *Don Carlos*, for instance, was begun in 1782 and still reworked in 1805, the year of the playwright's death—the German Classics are definitely "in."

Schiller without pomp and pathos is like chewing on dry bread at Christmas—nourishing, but hardly the feast one expects at a major subsidised theatre-institution. Still, moments could be treasured: Posa's dignified and quietly delivered speeches, and the manner in which Elisabeth (Verena Buss) convincingly stole a scene as a French lady knowingly loved or admired by three noble gentlemen.

The time will surely come in the new decade when *Don Carlos* passes this "warm-up" phase to achieve another milestone in German theatre. It's worth waiting for.

The theatregoer is an obvious beneficiary. But a Schiller Renaissance is also a boon for actors and ensembles. *Don Carlos runs a full six hours*, requires two successive evenings (if Heyme's treatment of Goethe's *Faust, Part Two*, is any indication of current theatrical reverence for the classics). Further, the three male roles—the autocratic Philip, King of Spain (at th etime of the Spanish Armada and New World conquests); his passionate and heart-broken son, Don Carlos, in love with his stepmother; and the idealistic Marquis von Posa, Carlos's boyhood friend and champion of freedom-of-thought—require larger-than-life figures upon cavernous *Sprechbühnen* to win an audience for Schiller an dhis Titan Tug-of-War classic. The female roles, Elisabeth von Valois (the stepmother) and the Princzessin von Eboli, are not bad either, nor are Alba and Domingo an dthe Grand Inquisitor.

Palitzsch opted for a one-night, slashed three-and-a-half-hour production, by-passing the usual lyric, poetic version for the simpler, less demanding prose one. Both staging and costuming (Christian Göbl) reduced the essentials to an ironic comment o na courtly intrigue, using dark lighting, panelled rooms, and brooding El Greco paintings to convey the dark side of the story. Peter Roggisch as the King wears puritan black, Friedrich Karl Praetorius as the Infant, Don Carlos, a gaudy fop's outfit, and Hans-Christian Rudolph as Posa the dress of an austere knight.

Wigmore Hall

Nash Ensemble

Wednesday's recital was the penultimate in the current *Nash Ensemble series of six* devoted to chamber works and songs of Mozart, Fauré, and a miscellany of early 20th century French composers. The programme was enterprising; the occasion was one of those in which good ideas remained obstinately unrealised in performance. For a concert of seven works, even of short to shortish length, a greater and closer degree of rehearsal is required than the hardworking Nash players were clearly able to manage. Whatever the cause, Mozart's E flat piano and wind quintet, K452 (which began the concert) and Ravel's Piano Trio (which ended it) sounded like the read-throughs of unflappable professionals.

The feeling of well-meaning limpness—it is probably quite unfair to associate it with Ian Brown who appeared in every work, either as pianist or conductor — was commensurately less forgivable in the less familiar music; chances of playing and singing chamber works of Milhaud and Poulenc (also the latter's short cycle *Le Bestiaire*) and Fauré's very last song cycle to a decent-sized audience do not come very often, and demand to be seized with both hands. *Because* I find myself generally out of sympathy with Milhaud's music, I longed for a crisper, cleaner *sounding of the Three* Symphonies for Small Orchestra, to win me over. Poulenc's instrumental *Trois mouvements perpétuels* were articulated, so to speak in English, not in acerbic French.

The singer of *Le Bestiaire* and later of Fauré's *Poème d'un jour* and his great, wise, beautiful utterance of old age, *L'Horizon chimérique*, was Stephen Roberts. The young baritone has demonstrated in the past so sure a command of various styles—Bach, Handel, and Birtwistle are only three composers in whose music he has distinguished himself—that perhaps his almost complete failure in Fauré should be dismissed with a caution. Granted that Mr. Brown's rhythmically invertebrate, bass-deprived accompaniments were little help; the skimming of the vocal lines, bland and careless, was still a sore disappointment, especially as the voice is the right sort for Fauré. In the number of verbal slips and mispronunciations, and in the singer's close relationship with his music stand, there was evidence that Mr. Roberts's acquaintance with the Poulenc and Fauré has not been of long standing.

MAX LOPPERT

Cinema

Hot-gospelling Huston

by NIGEL ANDREWS

Wise Blood (AA) Camden Plaza
The Amityville Horror (X) London Pavilion
Time After Time (AA) Warner West End, Studio Oxford Circus, ABCs Shaftesbury Avenue, Fulham Road *and Bayswater*

Brad Dourif and Mary Nell Santacroce in 'Wise Blood'

Goodness knows what regenerative Celtic twilight John Huston lives in out there in Eire, but he keeps jumping up from what should be honorable *retirement—at age 73*—and thrilling us with a masterpiece. It's only seven years since he last imitated the phoenix, by rising up from a cindery phase in his career and giving us *Fat City*. Now he presents *Wise Blood*, and this irreligious *allegory is about the nearest* thing to an Irish-American masterpiece since *The Iceman Cometh*.

Young Hazel Motes (Brad Dourif) is *our* hero: lean, nervy, narrow-eyed: coming straight from the army and *rather less than straight* — indeed substantially warped — from the hellfire upbringing he received from his hot-gospelling *grandfather* (played in whiskers and flashbacks by Huston himself). Adrift in the small-town Deep South, he starts to catharsise the memory of that spiritually bullied childhood by inaugurating and preaching his own religious sect — "The Church of the Truth without Jesus Christ."

Inter-sectarian passions flare, invective abounds, and caught in the crossfire between Dourif's creed and the town's more orthodox Bible-beaters are a blind street preacher (Harry Dean Stanton), his toothy, flirtatious daughter (Amy Wright) who falls for Dourif, and an eccentric, helter-skelter boy (Daniel Shor) who insists on supplying the New Atheism with a dubious idol—to wit, a mummified ape —stolen from the local museum.

Tragicomic religious parables in 1980? Do we really need them? Yes, when they are as resonant, funny and straight-to-the-bone as *Wise Blood*. Huston has taken Flannery O'Connor's 1952 novel of the same name and paid it the tribute of high fidelity and high vitality. The film winds a marvellously macabre course from "straight" religious satire to a demonically offbeat climax in which Dourif, having become for the townspeople almost the very object of his original messianic scorn—a ready-to-hand Christ figure—holes up in a dingy rooming-house and is shuttled tormentedly between the predatory desires of the preacher's daughter and of his pririent landlady (Mary Nell Santacroce). With which of them he ends up, *and in what near-terminal* state, let the film itself reveal.

If Dostoevsky had been Irish, he might have written like Miss O'Connor, or made films like Mr. Huston. The movie purveys a sense of humour as black as pitch, as sulphurous and effervescent as brimstone. The subplot with the ape-stealing boy is virtually a plot in its own right: bringing a topsy-turvy Darwinism to the film's melting-pot of religious allusions and confusions, and boasting a hilarious episode when "The Great Gonga," film star extraordinary, comes to town to promote his latest ape extravaganza, and the boy steals Gonga's gorilla suit to go on a coolly terrorist progress through the streets.

Huston's direction is as lean, hungry and incisive as anything he has done since *The Maltese Falcon*. Indeed the film seems *designedly* to hark back to those good old *film noir* days when deep-focus photography ruled, when *bats* were pulled down over brows, and when a Manichean extremism between Good and Evil held sway. *Wise Blood* is really a gangster fil mabout *religion. The same adrenalin* flows the same rivalries flare, but it's not botleg liquor or shady property deals that everyone's scrambling over, it's bootleg religion and charlatanism of the soul. *Wise Blood* has more ideas bursting to climb out of *it* than any ten average movies off the commercial-cinema assembly-line. Book now to see, learn and relish.

"I like to refer to this as a fixer-up that can be fun." Uh-oh. We've come to recognise those Famous Last Words in Hollywood movies, haven't we? Or Famous First Words, as in this instance. The fun-promising fixer-up is a ramshackle house by a sinister lake, the speaker is the estate agent anxiously trying to sell it, the objects of her hard-sell campaign are an all-American couple (James Brolin and Margot Kidder) about to move in with their all-American trio of children, and the film is *The Amityville Horror*.

Inside the house, of course, lurks the Antichrist. Outside *there are frequent* thunderstorms and scattered showers. And downtown there is a bevy of RC priests doing their politest best to shoo the family away from the house before the incumbent Evil Spirits, hatched there by a brutal murder the year before, up and at them. Chief priest is Rod Steiger, who after a brief early visit during which he is viciously attacked by flies keeps trying to telephone warnings to the hapless *family*. But *there's a deafening* Satanic crackle on the line . . .

Things start to get nasty in earnest at 3.15 am, the hour of the murder: hallucinations, violence, bumps-in-the-night. 'Ere long the loo is bubbling uninvitingly with black treacle, the walls are dripping blood and Harry the dog has discovered a tunnel to Hell in the basement. The small-ad advertisement for this house must have made riveting reading.

It's all fearful nonsense, of *course, though based on an* allegedly true story, and it's directed with urgent ebullience by Stuart Rosenberg, as if trying to keep one pace ahead of the imbecilities. Sandor Stern wrote the screenplay, from a book by Jay Anson, and at the *end all the characters* are still alive for a sequel. You have been warned.

*

Time After Time is based on one of those omnilwhimsical, "wouldn't-it-be-fun-if" ideas that are sometimes best scotched at conception. Sometimes, though, as here, they get by on a saving sliver of charm. Wouldn't it be fun if H. G. Wells and Jack the Ripper were spirited from Victorian London to 1980s San Francisco in H. G.'s time-machine? All it needs is for the Ripper (alias David Warner) to be unmasked at an 1890s dinner party *chez* Mr. Wells and to flee to the basement where the writer's very own time machine, squatting and purring like a large Art Nouveau cat, is waiting. The time machine boomerangs back after it has deposited J. Ripper in modern California and Wells, alias Malcolm McDowell, sets off in pursuit across the decades and the ocean.

Once in San Francisco writer-*director Nicholas Meyer* doesn't quite know how to play the *jongleur* with the film's components: keeping the chase plot twirling while also tossing up the anachronistic hilarity of Wells encountering the 20th century. (He drives his first motor-car, he eats his first "Big Mac" in Macdonalds). To confound profusion further, there is a love story involving pretty bank clerk Mary (*Goin' South*) Steenburgen, who charms McDowell with her raven locks and her willow-warbler voice. But the film crosses its fingers, trusts to luck, and mostly gets it: there's enough throwaway wit and amiebility to leaven the too-doughy and strenuous contrivance of the plot premise.

Theatre des Arts, Rouen

Le Roi d'Ys

by RONALD CRICHTON

Festivals are an uncertain guide to the true state of a country's operatic health. Better judge from the regular, in-season performances which are what most people grow up with. In France, as in Britain, opera is becoming increasingly decentralised. The Réunion des Théâtres Lyriques municipaux (Association of municipal opera houses) groups a fistful of the main regional cities in a network in which co-productions shared by neighbouring towns are *not* uncommon — much as Welsh National and Scottish Opera are sharing their Janacek stagings. France has one advantage denied to us: a number of handsome town theatres, some dating back two centuries or more, several of them buildings of architectural distinction, placed in the European way — not in a side street but on a commanding, central site.

The financial structure of the Association is complicated. Most of the public subsidies, as I understand the situation, come from municipal, not national, funds. The national contribution is variable and discretional: a panel of experts from the relevant Ministry in Paris travels round to assess the quality and deserts of the theatres concerned. Rouen, the capital city of Normandy, has recently been top of the league, and there I went recently to hear Lalo's *Le Roi d'Ys*, once a staple of the French romantic repertory, lately neglected—though Wexford Festival successfully revived it a few years ago.

The Théâtre des Arts at Rouen is a modern building fronting the river Seine, designed with a degree of spaciousness and comfort that recalls Germany rather than our hole-and-corner solutions. Though *Le Roi d'Ys* was not a co-production, the decor by Diego Etcheverry and costumes by Isabelle Echarry were borrowed from another theatre on the network—Nancy. In fact they were the strongest feature of a sound but not greatly exciting performance. Out of doors, megalithic *Brittany, with stone slabs and* wind-swept skies (real winter storms were putting the theatre's wind-machine to shame). Indoors, barbaric colours and thick-woven primitive patterns with bronze panels for the bridal scene.

The production by Giampaolo Zennaro was impersonal to the point of ineffectiveness — no attempt to interpret the story in contemporary terms, no fashionable tricks. The overture —quite a long one—was played with the curtain down. That welcome detail apart, positive virtues were scarce. Soloists semaphored in the old way. The chorus for the most part just stood, apparently equally oblivious at the climax to the threat of mass-drowning by the flooding sea or to the people's last-minute salvation through the sacrificial suicide of the king's wicked daughter, whose jealousy so nearly provoked a catastrophe.

Pierre Ethuin conducted, starting each of the three acts with a cut-and-thrust that promised well, but each time some of the momentum trickled away. Nevertheless Lalo's score came up well—not only the beguilingly *fresh* lyrical music of which the tenor's Aubade is typical, but dramatic strokes such as the warning appearance of the local saint, which tell by sincerity and directness as well as sound theatre instinct. Viorica Cortez, last-minute heroine of *Covent Garden's Werther*, sang Margared, the king's daughter married against her will to a neighbouring chieftain but passionately in love with warrior Mylio, who prefers her gentler sister, Rozenn. The big role suits Miss Cortez's dark, smouldering looks and up to a point suits her strong mezzo voice. But vigorously as she met the music's demands, she made so little of the words that drama turned to ranting.

Rozenn, the sharply-contrasted "*good*" *sister* was Andrée Esposito, her tone occasionally a little faded and fluttery but sweet and soft at the top, just where many French sopranos go acid. Warrior Mylio was sung by Alain Vanzo, France's leading lyric tenor and a fine artist of whom we have heard all too little. Some of the sheen has gone now, but the tone remains as true and steady as the style is sure. A skilful account of the Aubade (a piece of Mozartian clarity in which no fudging is possible) was greeted with the reserved applause reserved by French audiences for quiet unshowy singing, however good. Karnak, Margared's conspiring husband, was vividly taken by a baritone *I look forward to hearing again*, Alain Fondary.

Purcell Room

PLG Young Artists–3

by DOMINIC GILL

It was not difficult to predict that Tuesday evening's combination of performing flair and successful programming would be difficult to match during the rest of the Park Lane Group's Young Artists and 20th-century Music week. The third concert of the series the following night retreated to a standard a little nearer normal —which is to say a decent evening, well planned and well executed, with points both high and low.

The programme was shared by a young piano duo, Jocelyn Abbott and Richard Mapp (b.1954, 1953), and the trombonist Mark Hamlyn (b.1958). The pianists' most substantial offering was Stravinsky's arrangement for duet of his *Petrushka* ballet music—a brilliant virtuoso essay that conjures up vividly the colours (and hard, glittering bones) of the orchestral score. But they also gave, very capably, the *Introduction and Rondo alla Burlesca* for two pianos of Benjamin Britten (who is, with Gordon Crosse, one of the two "resident composers" of the week)—though the piece itself is really second-rate Britten, a clever mix of sub-Prokofiev and sub-Shostakovich inspiration, and Crosse's little pair of *Interludes arranged from his* festival anthem *The Covenant of the Rainbow*, unspecial, but fun.

Mark Hamlyn played Berio's *Sequenza V* for solo trombone (we had heard the oboe *Sequenza* the day before); and *gave the premiere of Barry* Anderson's *Sound the tucket sonance and the note to mount* for trombone and two-channel tape—a rather old-fashioned recipe of noise and burble, 10 minutes long, that made no strong impression.

Mr. Hamlyn is a talented trombonist: but he is (like most musicians, until they come to terms with the problem) a clumsy actor. Jeffery Wilson's (b. 1957) *Pickles* is a solo fun-piece that "tries to capture something of the style and spirit of the great Jazz Trombonists of the past." It certainly did nothing of that—nor would have provoked the slightest stirring of Jack Teagarden, Kid Ory or Tommy Dorsey in their graves, so feeble was the jazz element. Worst of all, Mr. Hamlyn's delivery was awkward and gauche; and there is nothing more unfunny, and un-fun, than funny music that tries too hard, delivered by a performer without an ounce of theatrical preparation or a grain of theatrical sense.

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Adopting new technology

THE IMPACT of micro-electronics on industry has been the subject of numerous official reports published in the UK over the last few months; it was a major topic at this week's meeting of the National Economic Development Council, chaired by the Prime Minister; and the CBI and TUC are to discuss the drawing up of guidelines on employment and other matters for companies introducing new technology.

All this activity might suggest that the advent of the so-called micro-chip has ushered in an entirely new dimension of technological change, requiring drastic changes in Government policy and in the attitudes and behaviour of companies and trade unions. Yet, as was pointed out in the report published by the Department of Employment there is no reason to suppose that over the next five or 10 years the effects of micro-electronics in reducing industry's demands for labour will be any more dramatic than those of many previous examples of technological improvement.

Evolutionary

The report noted that, contrary to popular belief, micro-processor applications (as opposed to micro-chips as such) are not necessarily cheap. The costs of software and the associated hardware which are necessary to use micro-processors in many products and processes are high; their penetration will be evolutionary.

The exaggerated fear about the employment impact of micro-electronics is unfortunate, because it may tend to slow down the application of the new technology. As several of the recent reports have stressed, Britain needs to be at least as quick to use the opportunities created by micro-electronics as its competitors. Various obstacles to its application have been suggested, including lack of awareness, lack of finance, lack of manpower with the appropriate skills and trade union or employee resistance. It is difficult to be too worried about the first of these, especially in view of the educational efforts undertaken by the Department of Industry, the Sector Working Parties and other bodies. As for finance, companies will surely invest in micro-electronic techniques if it is profitable for them to do so.

The lack of skilled manpower is a more substantial issue. As the Finniston report on engineering made clear, there is a mismatch which must be corrected between what universities and colleges provide and what industry needs. But it is doubtful whether a massive increase in Government-financed training programmes is appropriate. The main responsibility for training and retraining lies with industry itself. The new technology, however, will increase the need for flexibility in the use of manpower. This could involve, among other things, a blurring of the demarcation line between professional engineer and technician and a less rigid attitude on the part of trade unions to craft skills and the use of "dilutees."

As for trade union resistance, it is not obvious that micro-electronics poses a more difficult industrial relations challenge than earlier moves to mechanisation and automation, most of which have taken place quite smoothly. Certainly the changes must be preceded by full consultation and participation, but many elements of the TUC's proposed "new technology agreement" are in line with best practice in industry. There are dangers in creating a national issue out of matters which can safely be left to individual companies.

Preoccupation

Finally, there are the suggestions that the UK should have a strategy for technology, whereby, as the latest ACARD report put it, "those industries capable of generating substantial new employment should be identified and fostered." Fortunately the present Administration is unlikely to go in for "picking winners," but there is a danger that preoccupation with advanced technology, particularly micro-electronics, will have a distorting effect on industrial policy.

Micro-electronics is important and the UK's response to it is rightly a matter of public concern. But it is not the only way of improving competitiveness. Even the so-called traditional or mature industries are capable of generating new employment if they are managed efficiently. The Government can contribute in a variety of ways to the spread of knowledge about new (and old) techniques, but there are severe limits to its ability to channel investment in particular directions or to predict the pattern of industrial employment. Its role is to create an environment in which technological change is encouraged.

Reform of the Saudi system

ONE CAN only speculate whether Crown Prince Fahd of Saudi Arabia would have chosen this week to reveal the Royal Family's intention to establish a consultative council within the next two months if it had not been for the bloody seizure of the Great Mosque last November. On the face of it that event is likely to have expedited the decision and also finalisation of the 200 principles making up what the heir apparent described as a "Basic System of Government"—rather than the country's constitution which, he stressed, would continue to be the Koran. As long ago as 1975, shortly after his accession, King Khaled aired the idea of a consultative body. Apart from everything else the Mecca outrage was an indication of how badly out of touch the ruling hierarchy had become from at least one element of grass-roots feeling.

The Great Mosque

Immediately, the worst aspect of the Great Mosque affair for the regime was that it was the first open defiance of authority—one moreover on a dramatic scale and with the full attention of the world focused upon it—since the foundation of the Kingdom in 1934. Equally disturbing was the religious inspiration behind the insurrection against a regime that has always prided itself on its guardianship of the Holy Places of Islam and the most orthodox form of Moslem faith. In the longer term, also, the ruling hierarchy must be deeply concerned by the tribal origins of most of the Saudis participating in the attack.

Crown Prince Fahd gave no hint as to what form the consultative council might take. Hitherto, the assumption has been that its participants would be appointed by the Monarch with the aim of bringing together representatives of as wide a cross-section of the people as possible. In itself achievement of the right balance will be difficult and require a genuine effort on the part of the regime to accept greater equality for certain under-privileged parts of the population, especially the members of the despised minority of the Shiite sect in the Eastern Province who made their own protest while the Great Mosque was still occupied. In many respects Saudi society is still backward, as well as traditionalist.

Increasingly, Saudi Arabia has come to look like a political anomaly even if its form of Government has been just as representative of the people as those of some authoritarian "progressive" Arab States. Evolution of the Kingdom's system is particularly hard as it must take account of both deeply conservative susceptibilities and, in direct contradiction to them, the liberal attitudes that chafe under the imposition of strict traditionalist observance demanded by religious leaders and those under their influence. Both elements have shown a growing resentment against the extent of the privilege enjoyed and wealth accumulated by members of the Royal Family, Ministers and senior officials through the opportunities afforded by their status. To his credit Crown Prince Fahd recognised the problem in one of the two interviews published this week.

Soviet relations

In the other one Crown Prince Fahd made the most conciliatory noises yet by a Saudi leader about the possibilities of the Kingdom recognising the Soviet Union and having normal, direct dealings with it. "That would need, he said, "a lot of effort internally to change the point of view of our people." The interview was apparently given before the Saudi Government had appraised the Soviet invasion of Afghanistan and roundly condemned it.

The Saudi heir apparent also categorically ruled out the granting to the U.S. of any military bases or facilities. Even now the Saudi Government will feel unwilling to identify itself too closely and too publicly with the U.S. External and internal factors could not make the time more awkward for attempting reform of the Saudi system, but arguably because of them it is more imperative than ever to make the effort.

France changes the way it thinks about business

By TERRY DODSWORTH and DAVID WHITE, in Paris

M. Raymond Barre: Prime Minister for three and a half years

THROUGHOUT 1979 there was steady, accumulating evidence of a great purge going on in French industry. The big groups have been slowly reorganising, shaking out labour, chopping their loss-makers and seeking to concentrate their investments on profitable sectors. There has been a tightening up of financial control, with a welcome reduction in the mountain of debt run up in the post-1973 oil crisis. Exports have continued to grow, taking France into third place in the world league and helping to build a profits increase of between 15 and 20 per cent.

The question is how much of this improvement is due to the celebrated plan for industrial recovery orchestrated by M. Raymond Barre in his three and a half years as Prime Minister? This programme, based upon stronger support for free market principles, and now attracting a great deal of attention in the UK from Mrs. Thatcher's reforming Government, was attacked by the leader of the French employers' association only recently for not going far enough.

"We ask for neither aid nor subsidies," said M. Francois Ceyrac. "We ask for freedom to act, we ask the Government to save enterprise from being paralysed by administrative rules and crushed by the weight of social and fiscal charges."

What the head of the Patronat was voicing was not disillusionment with M. Barre's ideas but an undercurrent of grudges which emerged at the association's annual meeting, mainly among smaller, provincial businessmen who, as French economic prospects appear bleaker, are becoming more and more frustrated with the Government's caution.

Even so, there are many in France, not only in the Government, who argue that M. Barre has set in train a fundamental change—"a change in the way we think about business," in the words of a banker—which needs time to work through the system.

The underlying concept of the Barre policy is to adapt the French economy to the requirements of international industrial competition. Since the last war, and more particularly since General de Gaulle's return to power in 1958, the French economy has made the crucial switch from the land towards reliance on industry and exports. But the country has become much more vulnerable to international competition and to shifts in raw material prices, particularly oil.

Management changes

Thus, according to the Barre strategy, France must move towards the West German or Japanese economic model, supporting a strong industry capable of carrying the import burden by its competitiveness overseas. To achieve this change, M. Barre is attempting to push France towards a much more open style of economic management, less reliant on centralised, administrative intervention. Authority is being systematically handed back to the market place and responsibility for industrial management shifted away from the clutches of ministries into the boardrooms. The same concept goes for company financing, where the aim is to place greater reliance on the stock market where companies are judged by their performance.

All this means reversing the habits of centuries. French investors have always had a bias towards land, property and gold rather than industry. Industrialists have been bred in a tradition under which markets are regulated and arranged, and the country has never had an effective competition policy. "The French think that the bigger a company is the better it is for France," says an official in one of the top Government economic agencies. "Size is seen as the answer to all unemployment problems, to exports and any of the other difficulties which afflict French industry. If a company looks like going under, we merge it."

This system of centralised management has extended equally to prices and employment policies. Bread prices, for example, were first fixed in 1791 in the wake of the French Revolution, and, until last year, price controls were in force in virtually every corner of French industry and commerce. Until last year, also, it was extremely difficult for employers to take any measures which meant shedding workers on to a full labour market.

The whole panoply of French labour offices, controlled by the Government, was systematically opposed to redundancies.

To change this system into something more responsive to market forces clearly takes time. But M. Barre can claim to have marked up several points for his programme. Among these are:

- Prices have been freed on all industrial products and are currently being liberalised in the distribution sector. By the end of this year the aim is to hve decontrolled prices in the service industries as well, leaving only a few sectors, such as energy, still under direct Government control. The change on the prices front is one of the main reasons for the sharp improvement in industrial profits this year. It now looks as though the profits increase will work out at an average of about 15 per cent for industry — some 3 to 4 per cent higher than inflation — and 20 per cent if the exceptional profits of the oil companies are taken into account. As a result, companies have been able to strengthen their balance sheets, reduce their debts, and finance more of their needs from their own pockets.
- Company financing has been made easier by changes designed to increase stock market funds. The aim has been to attract new finance on to the market through tax concessions to individuals who might otherwise be putting their money into the Frenchman's more traditional, less productive investments.
- A strengthened Monopolies Commission has been set up.
- The enormous deficits in the nationalised sector are being tackled by new company-State contracts designed to limit subsidies and give management more freedom to choose its own priorities.
- The running sore of the steel industry has been canterised with a reorganisation plan which includes a draconian redundancy programme.

This reorganisation, pushed through against stiff union opposition, served as a demonstration of the Government's determination to adapt industry to world market needs even at the expense of extensive unemployment.

- As the steel sector example shows, the rigid attitude on redundancies has been replaced by a more flexible approach more favourable to industrial restructuring.

This aspect of Government policy is one of the most difficult to define, because there has been no positive declaration of what companies can and cannot do.

But there is a general feeling among managers that they can now push through reorganisations which would have been impossible in the industrial climate of two years ago.

As a result of this change in attitude there has been a rash of trimming operations in French companies, particularly in the large, influential conglomerates such as Pechiney-Ugine-Kuhlmann and St. Gobain. Many of these have been designed, as the Government hoped they would be, to release funds from unprofitable sectors for investment in businesses which have more hopeful prospects.

These are all positive points about the Barre policy. But doubts about the effectiveness of the programme still exist, at two different levels. First, there is the type of criticism made by the employers' association which suggests that the Government still regards industry as the milch cow of the State and that the process of liberalisation has not yet gone very far. According to this view, companies are still weighed down by an administrative system which regards them as the main source of funds for local and central Government, while not allowing them the necessary freedom to manage their affairs, particularly in labour matters.

The employers' most telling complaints are about indirect wage costs and tax. They argue that social charges have been rising twice as fast as the wealth produced and are proportionately higher than in almost any other country. The cost to a company of employing an ordinary semi-skilled worker is reckoned to be more than half as much again, all told, as his actual wage.

The main fiscal grudge is against the so-called professional tax. Geared to a company's payroll, the value of its plant and the nature of its business, the tax is a vital source of local authority funds. But industry views it as a disincentive to job creation and to investment.

In addition, industry is constantly pressing for more radical measures to allow the revaluation of balance sheets to take account of inflation, with the aim of stepping up depreciation charges, bringing visible profits down and reducing the tax off-take.

The second question-mark hanging over the policy is more psychological. How far are basic French attitudes susceptible to change? There is a strong core of feeling in both the administration and industry against changing the well-established way of doing things. The Civil Service is a force to be reckoned with and guards its powers jealously. Some observers do not really believe its instinctive responses are going to change, particularly with such a large nationalised sector still under government control. Once the new measures come under pressure, as they may do in 1980 with a worse business climate at home and abroad, the old collective instincts could reassert themselves.

Conditioned reflexes

One indication of the sort of problem the Government is encountering occurred last year when a form of semi-control was brought in again for bread prices, which had risen by 20 per cent after controls were lifted. Another is in the thorny area of competitions policy. The new, stronger Monopolies Commission established by M. Barre may have stepped up the rate of its hearings and judgments, but it has not caught any big fish so far.

It also seems to be true that the old, conditioned administrative reflexes are still working when there is any question of a foreign company moving into France and offering a competitive threat to local industry. This was true when Lucas of the UK tried to take over Ducellier, and had to be content with a 50 per cent share with Ferodo of France. It has also been true of the paper sector, where a bid by a Swedish company for Lafarge Emballage has been effectively blocked while the possibility of a French offer is in the offing.

These examples show that the Government's actions are not as coherent as its statements suggest. It is clear that French industry is being run in a more disciplined manner than two or three years ago. This is probably due to a mixture of circumstance—the competitive international climate, the emphasis the Government is putting on self-reliance and profitability, and, not least, the firmness with which the authorities have stuck to their central principles of controlling the money supply, defending the franc, and balancing the current account. But in industrial policy the new pleas still have to fight against old and ingrained habits.

How the Barre plan is making its mark

SAINT-GOBAIN-PONT-A-MOUSSON:—Saint-Gobain is streamlining its wide range of interests to improve its financial performance.

It has sold Davum, its steel stockholding company; Maisons Phenix, its prefabricated houses subsidiary; its PVC pipe operations in Europe; a tissue products company; and a forest. It has closed down a papermaking plant.

Recently it took a substantial stake in CII Honeywell Bull, the French computer company, and has said it expects 25 per cent of its sales to be coming from computers and electronics in the near future.

Job losses in 1979 amounted to about 6-7 per cent of the total workforce.

In France, the company's activities have recovered from a loss of FFr 26m in the first half of 1978, to a net profit of FFr 64m in the same period last year.

RHONE POULENC:—France's largest chemicals company is now emerging from a period of rationalising its heavy loss-making textiles business. This has involved cutting out some activities, and concentrating investment on nylon and polyester products. Some 3,000 jobs (out of the original 13,200 in this division) have already gone.

The group has invested more heavily in fertilisers with the acquisition of Gardinier and the other 50 per cent of the fertiliser company it owned jointly with Pechiney Ugine Kuhlmann.

Consolidated net profits in the first half of 1979 doubled to about FFr 300m.

PECHINEY UGINE KUHLMANN:—Another wide-ranging conglomerate, based in special steels, aluminium, chemicals and nuclear energy activities, PUK is trying to concentrate on the faster growth sectors.

It has sold its 50 per cent stake in a fertiliser company to the other shareholder, Rhone Poulenc; it has also got rid of the major part of its shareholdings in a radiator business, a wire and cable manufacturing company and a tungsten production unit. Recently, PUK announced plans to trim 600 employees from its chemicals business.

But it has consolidated its position in plastic tubes by acquiring some Saint Gobain factories in this sector, and is investing more heavily in nuclear and aluminium sectors.

Consolidated net profits forecast for 1979 give a figure of FFr 950m against FFr 261m.

CRUSOT-LOIRE: This steel, engineering and nuclear plant group is also restructuring.

Some 1,600 jobs were trimmed in 1978, and it has recently sold its drilling equipment subsidiary to Hughes Tool of the U.S. The group is also reorganising its heavily loss-making special steels subsidiary probably with a view to its sale. It expects to reduce its overall 1978 losses of FFr 332m for the 1979 financial year.

STEEL INDUSTRY: The Government-assisted refinancing programme has led to hopes of a return to profitability in the two main steel companies, Usinor and Sacilor by 1981. Rationalisation resulted in some 22,000 job losses.

Sacilor has already moved into more specialised functions with the take-over of Pompey, a special steels producer, and Davum, a steel stockholder.

AEROSPACE SECTOR: In this nationalised sector a concerted attempt is being made to hold costs and develop businesses of international standing. Air France has improved its profitability, is swiftly modernising its fleet, and has reached an agreement with the Government on carrying the losses for Concorde.

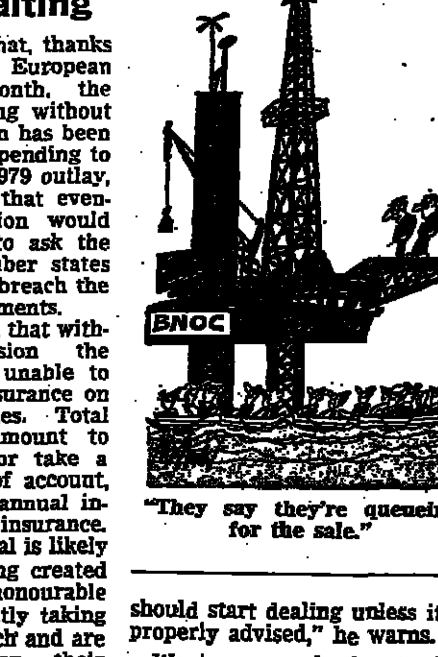
Aerospatiale, the French partner in Concorde and Airbus manufacturing is predicting small profits for 1979 following seven years of losses culminating in a FFr 621m deficit in 1977.

MEN AND MATTERS

Keeping the landlords waiting

It may be recalled that, thanks to the vote of the European Parliament last month, the EEC is now operating without a budget. The solution has been to limit its monthly spending to one-twelfth of total 1979 outlay, and no-one doubted that eventually the Commission would have, cap in hand, to ask the Parliament and member states for a dispensation to breach the ceiling for some payments.

It has now emerged that without such permission the Commission will be unable to find the rent and insurance on its Brussels properties. Total Commission rents amount to £20m a year, give or take a few thousand units of account, and are paid in two annual instalments, as is the insurance. Parliamentary approval is likely to be grudging: having created the problem, the honourable members are apparently taking a very correct approach and are withholding rent on their splendid premises in Strasbourg.



"They say they're queueing for the sale."

Stone's clanger

The man who gave the world its first opportunity to hedge its economic bets in the financial futures market, Leo Melamed, is in London attempting to lure British institutions and sepeculators into the International Monetary Market—a division of the Chicago Mercantile Exchange.

Brimming with unpublishable quotes on the state of the gold market, bureaucrats and ill-informed critics of futures markets, the leathery Melamed has been chairman of IMM since it was set up in 1972 to trade futures contracts in currencies, gold and U.S. Treasury bills.

Here to open an IMM branch in the City, he also feels it is his duty to educate Britain's financial community. "Trading techniques on the IMM are sophisticated. No company should start dealing unless it is properly advised," he warns.

Waxing smug, he boasts that the national bankers and Governments which felt at the outset that financial futures had no future have now accepted the trade as "legitimate and necessary." "We only get occasional static. Some bankers complain we have an undue influence on currency fluctuations. I doubt it's true. But if it is, so what?" he shrugs.

While he has seen IMM climb from strength to strength (last year more than 2m currency futures contracts were traded), Melamed recalls many failures in more mundane futures markets: "We tried turkeys. We laid an egg. No speculative interest. Same with shrimps."

At present he is preoccupied with the doings of the unpredictable James Stone, a Government appointee in the chair of the regulatory Commodity Futures Trading Commission. "Don't get me wrong. He's very smart, but he's got a lot to learn." He feels Stone blundered badly when the CFTC temporarily banned grain futures trading the other day. "A horrendous error. The market is more than big and flexible enough to absorb shocks like the Russian grain embargo. We've seen bigger upsets when the weather's been bad."

Back on board

I note that John Gardiner, 44-year-old chief executive of the Laird Group, has made a swift return to the public sector since bailing out of the National Enterprise Board in November.

He is unlikely, in his new capacity as non-executive director of British Shipbuilders, to be especially popular among the shop stewards at the Cammell Laird shipyard in Birkenhead, who are unhappy about the closure of most of Laird's nearby ship repairing facilities. Such animosity does not apparently extend to the industry's union leaders, who will sit alongside Gardiner on the board.

It seems unlikely that the abrasive Gardiner will be tempted to deepen his involvement with nationalised industries, even if, as seems possible, even probable, the chairmanship of British Shipbuilders is offered to him when it falls vacant in March.

Chilly winds

The air must be growing chilly for explorer-publicist Sir Ranulph Fienes, sailing towards the Antarctic on a journey around the globe. But never so chilly as the air between his joint sponsors—British insurance brokers C. T. Bowring, and the New York company in the same line of business, Marsh and McLenan.

The sponsorship was agreed last year, when optimism and amity was flowing across the Atlantic. In the spring of 1979, chairman Peter Bowring gave a message to employees, praising the "new and imaginative relationship with Marsh and McLennan." He also sent warm greetings to "our American friends," who were seeing a Bowring annual report for the first time.

Now, of course, the relationship has become a little too imaginative, with M and M declaring take-over ambitions. This has prompted Peter Bowring to accuse his American counterpart of a "breach of faith," provoking an "intolerable situation."

Fiennes is fortunate that down in the Polar sea he will not feel any conflicting currents from port and starboard.

Green baize lining

Diversification clearly has its merits for the furniture and snooker group E. J. Riley. Despite turning in a handsome 62 per cent jump in pre-tax profits last year, chairman Alan Deal warned his shareholders yesterday of the "tough struggle" ahead during the coming year. On the brighter side, said Deal, the company's substantial involvement in snooker clubs might be just the thing for the rainy days ahead: "There is a tradition that when times are bad the clubs are often more heavily patronised."

Blood money

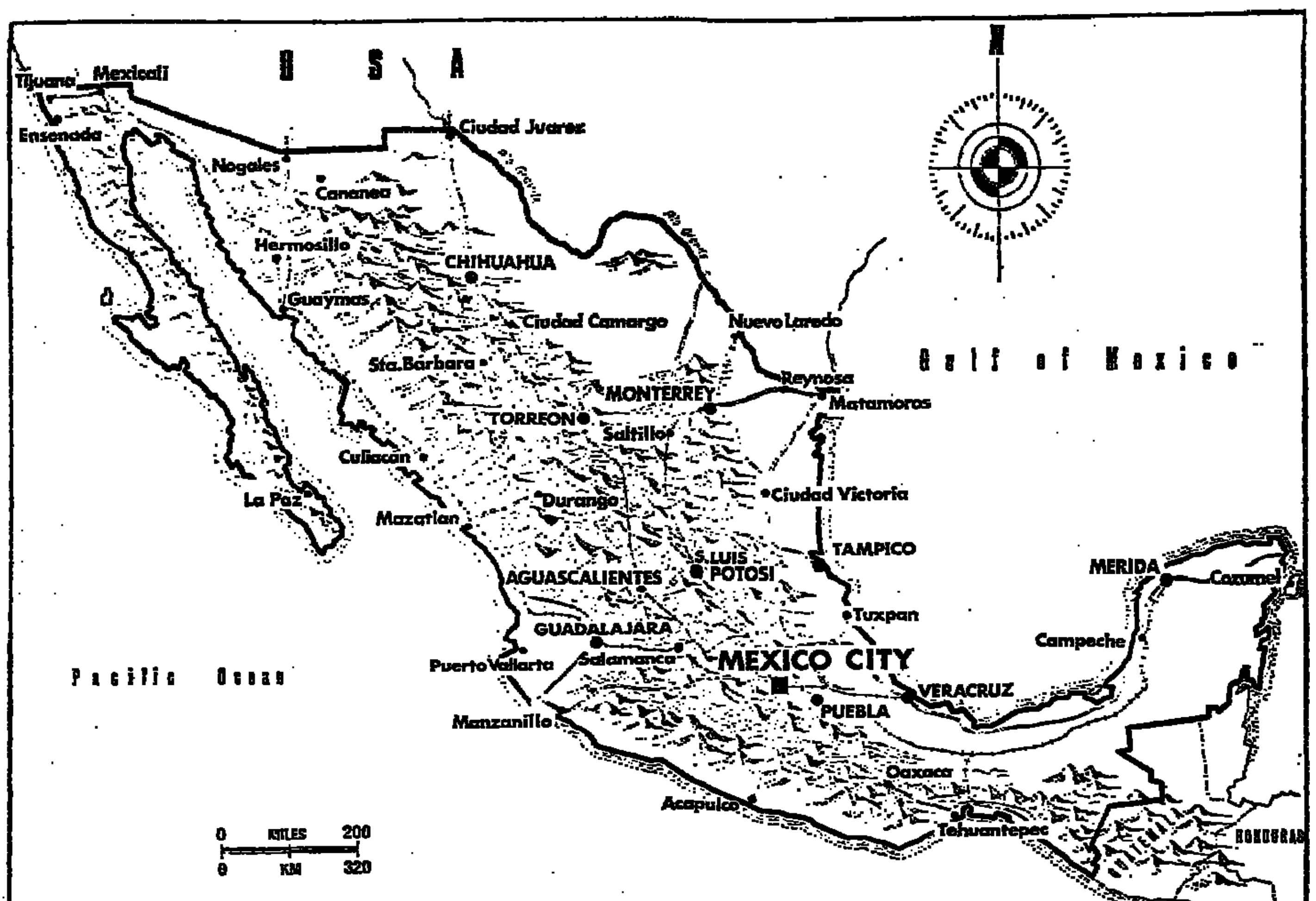
Over lunch yesterday, a senior member of the Stock Exchange speculated idly about the wealth of Birmingham expressed in the gold content of the population (excluding fillings): "Refine 'em a little and you'd be a rich man."

Gold is a constituent of blood, according to St. Bartholomew's Hospital biochemistry department. And on its figures even the most refined Brummie would, excluding fillings, yield no more than an average of 0.6 mg, giving a total return on the enterprise of little more than half a kilo.

Observer

FINANCIAL TIMES SURVEY
Friday January 11 1980

MEXICO



Oil and gas revenues are giving Mexico the opportunity to develop its basic industries and, with care, to alleviate rural deprivation. But President Lopez Portillo is determined not to fuel the economy with more cash than his government can prudently spend.

Oil heralds brighter future

By Hugh O'Shaughnessy

MEXICO IS in the middle of an oil bonanza which is rapidly overtaking even the high expectations of the country a few years ago. The continuing success of Pemex, the State oil company, in finding new sources of crude oil onshore and offshore and new reservoirs of natural gas are in themselves encouraging for the country. There can be little doubt that Mexico will soon be in a position to produce much more than the 2¼m barrels a day that is the target for 1983.

But, better than this, the country is in a position to command increasingly high prices for its fuels. Last week the price of export crude produced from onshore wells was increased by 30 per cent to $32 a barrel, matching the increases by the OPEC countries. The heavier offshore crude is going for slightly less.

Gas for U.S.

Later this month, natural gas will start flowing across the northern border into the U.S. which has finally agreed to pay the price that Mexico was asking. The country should easily surpass the figure of $10bn which it was expecting to get from export revenue from its oil and gas sales this year.

The problem is no longer to get oil and gas production up and the export revenue in, but to keep it down in the face of insistent demands for more supplies from U.S. and other eager buyers.

BASIC STATISTICS

Area	761,000 sq miles (1,972,547 sq kilometres)	Trade (1978)	
		Exports	135,845m Pesos
Population	66.94m	Imports	183,329m Pesos
GNP (1977)	1,639.5m Pesos	Trade with UK (1978)	
Per capita	25,383 Pesos	Exports to:	£41.503m
Currency	£=50.75 Pesos	Imports rom:	£108.585m

Complaints by the U.S. Department of Commerce last week that Mexican oil price increases were "unjustified" have irritated the Mexicans. They have produced reactions from, among others, General Félix Galván, the Defence Secretary, who called for increased attention to the physical defence of the oilfields.

President Lopez Portillo and his economic team are very conscious that the dangers now lie in producing and selling too much oil. As the eagerness of the U.S., Mexico's principal export market, to buy fuel increases and every hint and inducement seems to be proferred to Mexico if only it would step up its output, so Mexican intuitions that they should not deplete their reserves, however large, grow in strength.

The President takes every opportunity of repeating that the ceiling of 2¼m barrels of daily production will not be breached during his presidency, or at least until the world accepts the global energy plan which Mexico has submitted to the consideration of the UN.

The President has said that the country could begin to suffer financial indigestion if the money started flowing into the State's coffers at too rapid a rate for the Government to spend it prudently.

As it is, there is every likelihood that Mexico will hit its targeted growth rate of 10 per cent in the course of the next two or three years.

Mexico is, however, a long way from the position of capital surplus that has been enjoyed by some of the Gulf states whose small populations are unable themselves to put their oil wealth to use locally and which are constrained to place many of their funds in the capital markets of the developed countries. Mexico needs rationally to employ all the capital it can get.

Mexico has nearly 70m inhabitants and such an unequal concentration of wealth that tens of millions of Mexicans can count on annual incomes of only a fraction of the average annual sum of around $1,000.

Having decided the speed at *which the economy can usefully* absorb new injections of capital and grow, Mexico is left with the strategic decision of how best to use the new money.

The easiest course would be to continue the pattern of development which in the past decade has allowed a strong private sector, helped by liberal Government subsidies and artificially low prices for the goods and services of the nationalised industries, to develop industries in the cities and intensive agriculture in the most fertile parts of the countryside.

Intolerable

The Mexican entrepreneur has proved to be a highly resourceful individual. The city of Monterrey in the northern state of Nuevo León, for instance, which was only a small town at the beginning of the century and which today has nearly 2m in habitants producing large quantities of steel, glass and other basic manufactures, stands as a monument to the energy of the Mexican capitalist.

The present development pattern has shown too many of its faults to be acceptable as a model for the future for it has produced intolerable cities and indigent countryside.

On present trends, Mexico City by the end of the century will have a population of no less than 32m people and with less than half that number today the pollution and constant breakdowns in public services are such as to make life for the majority very difficult. The concentration of industry and population which has transformed Mexico City for the worse is mirrored in other Mexican cities such as Guadalajara and Monterrey.

At the same time, agricultural production and standards of life in the countryside have stagnated. The neglect of agriculture has helped to encourage the flight of country people to the towns and has raised the spectre of much of the oil income sooner or later having to be spent on the import of those farm products which Mexico is not able to grow for itself.

Already last year and this year Mexico expects to have to import more than 4m tons of cereals and edible oils. Some Mexican economists even foresee the U.S. using the "food weapon," i.e., conditioning the sale of food to Mexico on the production of bigger quantities of oil for export.

Sr. Rolando Cordera, one of the most acute economists in Government service, commented a few weeks ago: "After more than 40 years' more or less rapid industrial development, I think that we can conclude that Mexican capitalism has been unable to resolve the fundamental imbalance (between town and country) by means of urban industrial development. It is difficult to expect that through more rapid industrial development, implying on one hand the massive absorption of the workforces of the town and countryside and, on the other, the industrialisation of farm production these problems can be resolved."

The question for Mexico in the 1980s is therefore whether any government will have the will and the ability to change a 40-year-old pattern of economic development and take steps to ensure that the new oil wealth is used in great part to relieve the problems of the countryside and thereby fend off longer term problems of lack of food and rural decline.

The odds stacked against those setting out to effect such changes are clearly immense. The lobby of private industrialists is very strong and the organised urban workforce is powerful too. The massed battallions of the rural sector look puny in comparison.

At the same time however, the hand of the Government is being constantly strengthened by the new oil revenues accruing from one consolidated State oil company. The big new revenues, combined with the great authority vested in the Mexican presidency, could strengthen the possibilities for change.

Today therefore, Mexico has an opportunity with the oil wealth to solve many of the social and economic problems that only a few years ago appeared virtually insoluble. Whether this chance is seized will depend on the determination of President Lopez Portillo in the three years of office that are left to him.

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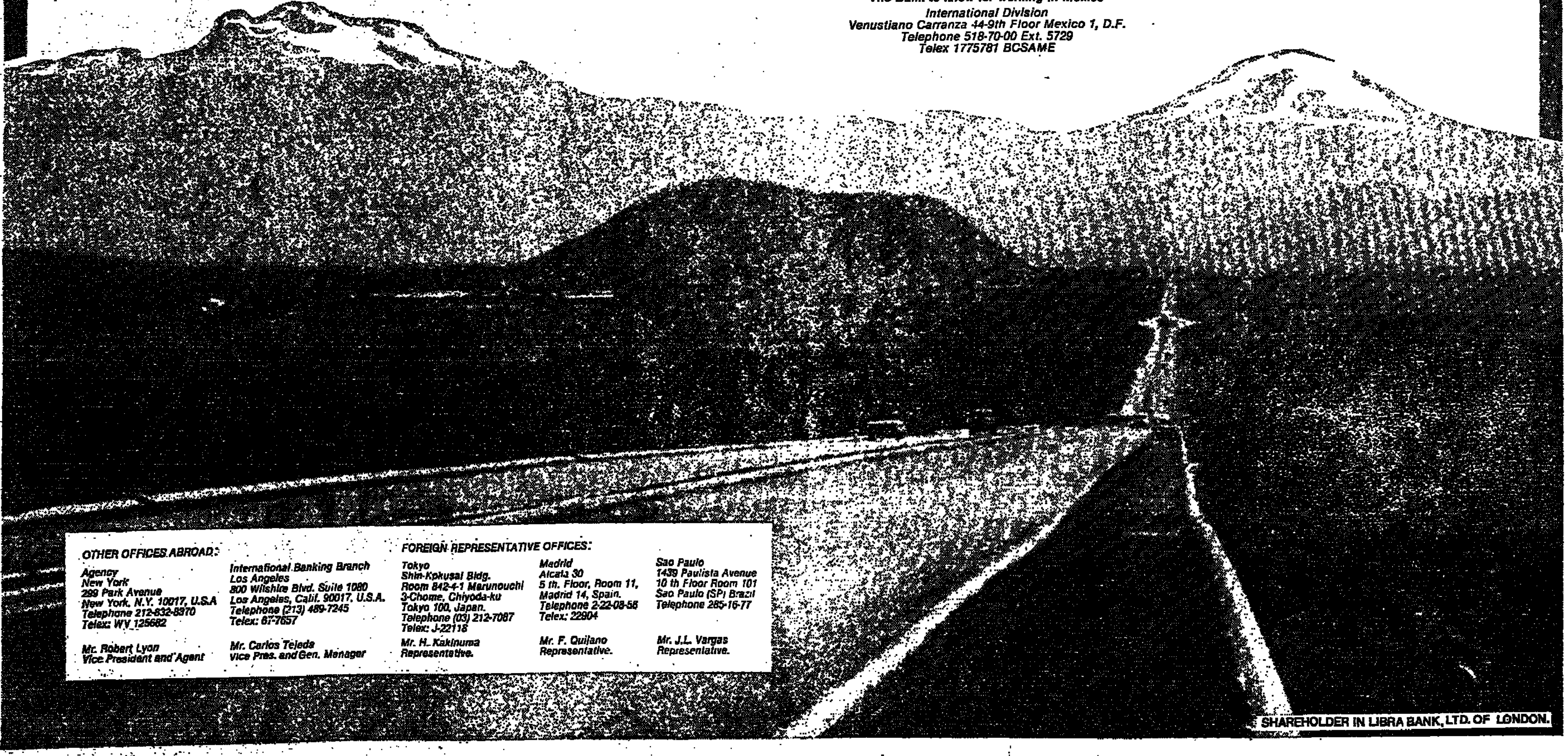


Decision imminent on GATT

THE MEXICAN Government's determination that Mexico will not go down in history as an oil-producing country which merely exported its oil and used its petrodollars to import consumer and capital goods will be put to the test this year.

Inescapably linked to this much vaunted desire by Mexico to be the exception to what has happened to other oil countries is the fact that the Government has to make up its mind before May 31 about joining the General Agreement on Tariffs and Trade (GATT).

The Government is in favour of converting Mexico into the 85th member of the world's main trading organisation. It believes that membership will encourage the highly protected local industry to be more efficient and more competitive and that at the same time markets will become more accessible. But the issue is by no means decided, for there are powerful pockets of resistance in both the private sector and organised labour.

To join or not to join GATT is the central issue facing the Government in its strategy of using the oil, a non-renewable source of wealth, to create renewable sources of wealth. Its aim is to use the oil revenue to strengthen the industrial and agricultural bases and to make the economy more export-orientated.

Mexico's trade deficit last year was at least $3bn, a 36 per cent increase over 1978 and a 130 per cent rise over 1977. The greatly increased 1978 deficit is a pointer to how much the economy is expanding, with the private sector's imports rising very rapidly to enable it to carry out expansion programmes.

Yet, despite the tremendous leap in the value of Mexico's oil exports the deficit is still widening faster than expected. According to the Banco de Mexico, the central bank, Mexico's oil exports soared from $1.15bn to $2.48bn in the first nine months of last year, pushing up total exports by 47 per cent to $5.92bn. But with imports jumping 43 per cent to $8.2bn, the trade gap widened.

Oil accounted for 42 per cent of all merchandise exports as against 29 per cent in the corresponding period of 1978. The proportion represented by manufactured goods dropped from 33 per cent to 28 per cent.

A particularly heavy item in the trade deficit is the massive imports of capital goods. Their value shot up 58 per cent on the corresponding figure for 1978 to $3.15bn.

As a result of the widening trade gap and the $7bn needed to service the public foreign debt of $30bn, the current account deficit increased to at least $3.4bn as against $2.4bn in 1978. It would have been greater but for another good year for tourism, a billion dollar earner.

All this makes an unpromising background for the Government's plans to push non-oil exports other than its traditional lines like coffee, cotton, shrimp and metals.

It is far too early yet to make any definitive judgment, but some encouragement can be taken from the fact that Mexico's industrial base and general infrastructure are far more advanced than those of other oil-producing countries. Once the oil revenue really starts to flow Mexico has only to set about reinforcing the existing base.

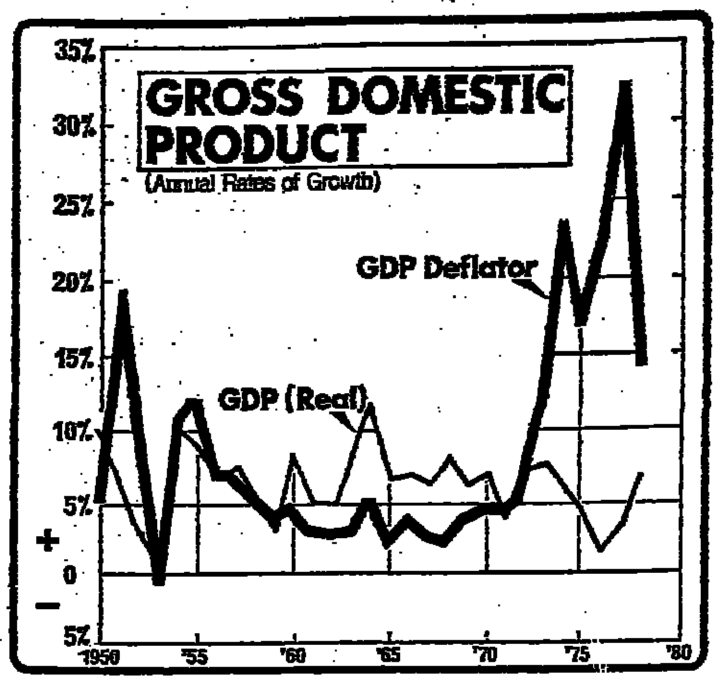
Squandered

Uppermost in the minds of trade officials is the realisation that one day Mexico's oil will dry up, and that if by then Mexico is not exporting a great deal more manufactured goods, including capital equipment, then the oil revenue will have been squandered.

In Mexico's case the need to export more than oil is a political as well as an economic necessity, for few other major oil-producing countries in the world have such an explosive population growth rate and hence the need to create labour-intensive industries. Politically GATT membership is important for it is vitally linked to Mexico's desire for a greater say in world affairs.

It is the Government's belief, backed up by the failure of industry so far to make any real inroads into the employment problem, that industry can only become labour-intensive if it ceases to be solely reliant on its captive domestic market and becomes more export-orientated.

GATT membership is considered part and parcel of this strategy. At the moment 82.4 per cent of Mexico's sales and 98.4 per cent of its purchases are made with GATT countries, and membership would allow Mexico to enjoy the benefits which GATT offers. Staying out of the organisation will not protect Mexico from the growing tendency among industrialised nations to adopt additional protectionist measures to shore up their sagging economies.



The Government believes that its terms of entry are liberal. It has 12 years — an exceptional length of time by GATT standards — in which to substitute its system of import licences with one of tariffs and bring them into line with GATT policy. A special case is made for agricultural goods.

Already the Government has started to move in a less protectionist direction. In the past three years over 4,000 items have been withdrawn from the import licence list of 7,200 items. But the remaining items still represent over two thirds of Mexico's main imports.

Sr. Jorge de la Vega Dominguez, the Trade Minister, who has been widely tipped as a presidential candidate, has made it clear that even if Mexico does not join GATT it must still become an exporting country with a more efficient industry.

Essentially the arguments against joining GATT are centred on the fear that the country is not yet sufficiently developed. GATT membership, runs the counter-argument, would swamp the country with imports which would put some small and medium-sized firms out of business and increase unemployment.

The Government, on the other hand, having negotiated what it considers a fair agreement, believes that the GATT issue cannot be postponed indefinitely.

Oil is luring many countries to Mexico, either to buy the "black gold" or to explore the investment possibilities of a rapidly expanding oil-related economy. This in itself is bound to bring an increased flow of trade.

In the past year trade missions have streamed through Mexico City. For some, like the Irish, it was a first visit; for others, like the Japanese, some kind of mission is a monthly routine.

Just as the Government wants to diversify its oil exports away from the U.S., which at the moment takes 90 per cent of Mexico's crude, so too does it want to break into European and Far Eastern markets for oil and non-oil products. The ideal for Pemex, the State oil monopoly, would be to cut America's share to 60 per cent and sell 20 per cent to Europe and 20 per cent to Japan.

The U.S., however, is such a close and demanding market — currently taking 68 per cent of Mexico's total exports and supplying 61 per cent of its imports — that it is unlikely that this trade will ever be substantially reduced and the balance released diverted to Europe and Japan.

Nevertheless, serious moves are being made in this direction. Next year, according to current Pemex export figures, America's share of Mexican oil exports will drop to around 70 per cent. Europe (represented by Spain and France) will receive about 21 per cent and Japan 9 per cent. In absolute terms the American share may well maintain itself at about 600,000 b/d, while Spain will receive, some time after the second quarter, an additional 100,00 b/d; France and Japan will be sold 100,000 b/d each.

The Mexican Foreign Trade Institute (IMCE) is vigorously pushing export programmes. It is running far more courses in export training and plans this year to open additional offices in Europe, the U.S. and Japan. So keen is IMCE to meet Mexico's desire to export more that it has a computer which enables businessmen to find out potential buyers anywhere in the world apart from socialist bloc countries. IMCE has also been instrumental in getting off the ground an ambitious plan by a private company to run a regular air freight service to Europe next year to take Mexican fruit and vegetables. The U.S. buys virtually all such products from Mexico.

Growing interest

Last year's visit to Mexico by Dr. Wilhelm Haferkamp, the EEC Commissioner for External Affairs, was a sign of the growing world interest in Mexico's attempts to diversify its trade. The EEC, which has a trade surplus with Mexico of over $1bn, supplies Mexico with 16 per cent of its imports and takes 6 per cent of Mexico's exports.

This feeling is also demonstrated by the speed at which new direct foreign investment in Mexico is rising. Last year new foreign investment totalled $400m, a 36 per cent increase over 1978: this year it is forecast to total over $500m.

William Chislett

Trade outlook constantly improves

THE DAYS in late 1976 when decades of stability for the Mexican peso were wiped out in one big devaluation seem very distant, but nervousness about the ability of the currency to maintain its rate of 23 to the dollar is still alive.

The trading position of the country has been transformed over the past three years by oil exports and the prospects for Mexico, as more and more oil and gas are found and the price of the fuels rises, are constantly improving.

Nevertheless, the nervousness centres on the ability of the Government to keep Mexican inflation roughly in line with that of its main trading partner, the U.S.

During 1976 the official rise in the cost of living in Mexico was just over 15 per cent, compared with 9.2 per cent in the U.S. In subsequent years, in fact in every year since 1972, Mexican inflation has been in double figures, each year far outdistancing that suffered by the U.S.

Moderate growth rates and tight labour discipline had for more than a decade, from 1959 to 1972, ensured that Mexicans had little doubt about the worth of their currency. During the 1960s at an annual average of 3.5 per cent, Mexican inflation had been fairly close to the U.S. figures of 2.8 per cent and appreciably below the annual average for all industrialised countries of 4.2 per cent.

As in Britain until comparatively recently, devaluations are looked on in Mexico as a sign of national failure and to be resorted to only in the direst of emergencies.

There are those who are now predicting that Mexico will again have to adjust its currency downwards by about 10 per cent. The bears point to the fact that the cost of living last year rose by not less than 20 per cent and the tendency is towards acceleration.

Despite the best efforts of the Banco de Mexico to restrain the increase in the money supply, it is growing fast and wage pressure from organised labour is increasing. A strike of airline personnel, for instance, grounded many internal flights a few weeks ago, but with strong Government backing the employers were able to win the wage battle.

Nevertheless the growth of "independent" unions outside the Government-controlled trade union confederatons and the increasing latitude allowed to left-wing political parties in Mexico would all suggest that "worker power"—in those sectors where it is organised—will increase.

The bulls, on the other hand, say that the world's thirst for oil will continue to be so great that it will mean increasing demand for the peso as investors switch out of what they see as even weaker currencies than Mexico's.

This, combined with the Mexican Government's unwillingness to decree another devaluation, should help to maintain the parity where it is. In any case, the bulls point out, pesos only have to keep their relationship with the U.S. dollar which itself is going through a period of weakness.

Whatever the relative strength of each argument it is clear that the peso will be under particular pressure in the next few months. President Lopez Portillo's decision to introduce a 10 per cent value added tax from the beginning of this month should give a nasty new twist to inflation. The best that the Mexican authorities can expect is that this new inflationary move will be masked by the dollar's weakness.

Hugh O'Shaughnessy

CONSUMER PRICES

Annual Percentage Changes

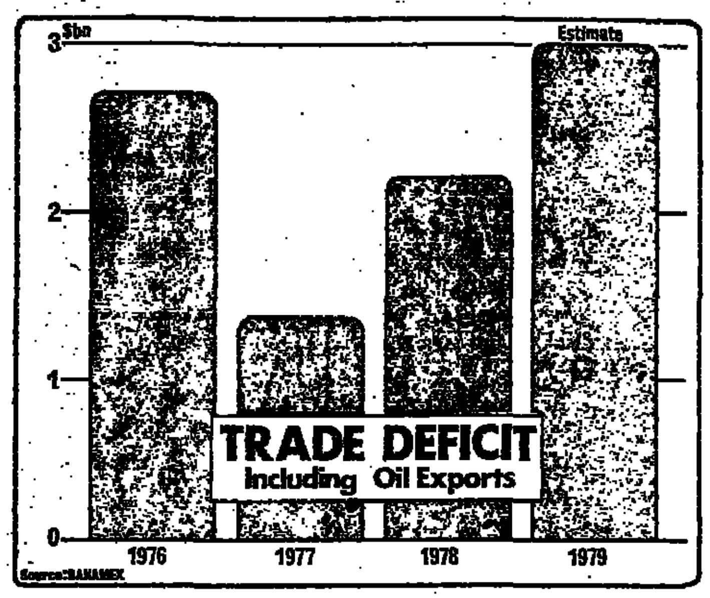
Year	Industrialised countries	U.S.	Germany	Japan	Mexico
1965	2.8	1.6	3.2	7.3	3.6
1966	3.3	3.0	3.6	4.9	4.2
1967	2.9	2.8	1.7	4.1	3.0
1968	3.9	4.2	1.6	5.6	2.3
1969	4.8	5.4	1.9	5.6	3.8
1970	5.6	5.9	3.4	7.3	5.1
1971	5.1	4.3	5.2	6.3	5.7
1972	4.5	3.3	5.5	4.8	5.1
1973	7.5	6.2	7.0	11.7	11.2
1974	12.6	11.0	7.0	22.7	22.4
1975	10.7	9.2	5.9	11.9	15.7
1976	7.9	5.8	4.6	9.3	15.1
1977	7.9	6.6	3.9	8.1	29.0
1978	6.8	7.8	2.6	3.4	17.5
1979	7.8 (May)	10.1 (May)	3.9 (May)	2.7 (May)	17.8 (April)

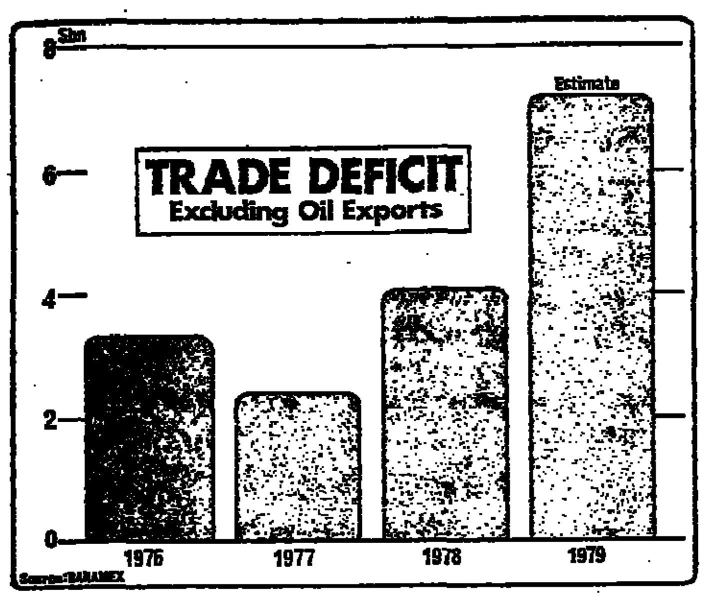
Source: International Financial Statistics, International Monetary Fund. 1979 Supplement, Annual Data 1949-1978.

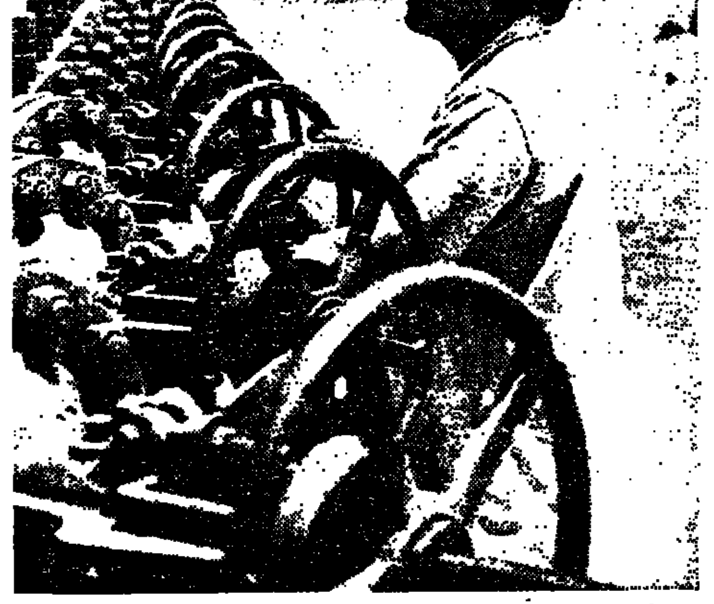
	1950-59 %	1960-70 %	1971-79 %
REAL WAGES			
Rate of change	31.7	91.5	23.3
Average annual rate of growth	2.8	6.7	2.4
GDP PER CAPITA			
Average annual rate of growth	2.5	3.8	1.0 (1977)
NOMINAL WAGES			
Rate of change	142.7	151.9	324.7
Average annual rate of growth	9.3	8.8	17.4
INVESTMENT RATIO			
End of the period	15.9	20.8	19.3 (1977)

Sources: Banco de Mexico, SA.; International Financial Statistics (IMF 1979); World Development Report, IBRD, 1979.

Oil becomes major source of revenue







Valves controlling flow from well heads at the Antonio J. Bermudez separation plant, Tabasco

FEW COUNTRIES are as nationalistic about oil as Mexico, the first country in the world to nationalise the industry and one which has jealously asserted its right ever since to develop this natural resource on its own terms and at its own pace.

From 1938—now as revered a date in Mexican history as the 1910 Revolution — when the Government seized ownership of the oil wells from American and British companies, the industry was shrouded in secrecy. Estimates of reserves were highly conservative, and there was no opportunity for outsiders to make independent assessments.

The spectacular rise in Mexico's proven reserves of oil and gas therefore came as a surprise to the rest of the world, and led to some highly optimistic predictions about the country's potential as an oil producer and exporter.

Comparisons with the major Middle East producers have been made, but they tend to ignore the contrasts in social and economic conditions, and it is these spheres that will determine Mexico's future course.

Although Mexico was the world's second largest oil producer (after the U.S.) in the early part of the century, output declined as fields exploitable with the technology of the time were exhausted. By the late 1950s the growth of the economy outstripped the ability of the domestic industry to meet demand, and Mexico became a net oil importer.

This worsened the economic effects of the 1973-74 oil crisis, but a new exploration effort begun in the early 1970s had already led to the discovery of the vast Reforma fields in the southern states of Chiapas and Tabasco. By the end of 1974 Mexico had a small crude oil surplus to sell abroad, ending 17 years of dependence on imports.

The impact on reserve figures was not seen, however, until early 1977, soon after President José López Portillo took office. Official proven reserves of hydrocarbons (Mexico combines the figures for oil and gas) rose from 6.43bn barrels to 11.16bn barrels.

The first rise was due to revision of the technical basis for determining reserves, but the major leaps since have been due to such massive discoveries as the Cantarell fields offshore in the Bay of Campeche and the Chicontepec basin onshore, as well as to continuing development of the Reforma fields.

By the end of 1977, proven reserves had risen to 16bn barrels, and by the end of the following year they had more than doubled, to 40.1bn barrels. The latest figure for proven reserves, announced last September, is 45.8bn barrels, with another 45bn in probable reserves and 200bn barrels for potential reserves. (The potential reserves include both proven and probable reserves.)

But reserve figures are no guide to the future level of Mexican crude oil production and exports. The crucial factor here is Mexico's ability to absorb oil revenues at a time when prices are rising sharply.

The current production target is 2.25m barrels a day of which 1.1m b/d is earmarked for export. When this target was set early in 1977, Petróleos Mexicanos (Pemex), the State oil monopoly, did not expect to reach it before 1982. Yet such has been the pace of exploration and development, particularly offshore, that these levels are now expected to be reached in the first half of this year.

No imbalance

What happens after that has yet to be decided. In a recent interview with the Financial Times, President López Portillo said the decision would be taken on the basis of "prevailing factors," but added: "Our principal aim will be to avoid producing any imbalance in the economy"—a recurring theme of his administration.

There is no doubt that Mexico has the technical capacity to raise production somewhat above 2.25m b/d in 1980 if it wishes to, mainly due to the stunning productivity of the Cantarell fields. Pemex is now proclaiming the Bay of Campeche to be the richest offshore field in the world.

The speed of exploration and development in Campeche has been remarkable. Serious seismic work did not start until 1972, but this preliminary exploration work identified more than 60 well-defined structures, which held the strong promise of yielding hydrocarbons. Exploratory drilling began in 1974, and proven reserves have risen practically in geometric progression to the present figure of 10.1bn barrels.

Campeche is producing 225,000 b/d of crude oil from only seven wells, one of which is producing 70,000 b/d, which Pemex claims is the world's largest output from a single offshore well.

But this achievement is dimmed by another world record: the largest ever oil blowout. Since June 3 last year the Ixtoc exploration well has been spewing oil into the Gulf of Mexico, *initially* at a rate of 30,000 b/d.

Frantic efforts to contain the blowout by pumping down such materials as cement, golf balls and mattress stuffing reduced the outflow to about 20,000 b/d by August. Pemex said at the time that about half was burning into the atmosphere, another quarter evaporating and 1,000 b/d was being recovered by "skimmer" craft.

A huge steel "sombrero" was lowered to the seabed over the blowout in October, and Pemex now claims that the outflow has slackened to 10,000 b/d, although it will not say how much is being recovered.

The disaster will not be over, however, until two directional wells to the same depth as Ixtoc are completed. One has already hit the target, and mud and cement pumped through it are helping to contain the flow. The other is said to be nearing completion, but Pemex steadfastly refuses to predict a date for ending the blowout.

The cost of lost oil, the operation to shut down Ixtoc and pollution control is now estimated to be well over $200m. The bright side of the disaster is that there are reserves of 800m barrels in the Ixtoc structure, and Pemex hopes development work, with one drilling platform and one production platform, can begin by the end of the year.

Output from Campeche as a whole, which by December 31 will have 25 production platforms, each with four wells, is expected to rise rapidly to 500,000 b/d, the limit of the 36-inch pipeline to Dos Bocas, on the Gulf coast. But the field is so prolific that another 36-inch pipeline is almost certain to be installed soon.

Whatever the future riches from Campeche, however, the swampy Reforma fields in the tropical states of Chiapas and Tabasco are the mainstay of Mexico's oil industry for the present.

Proven reserves

Three fields — Antonio Bermudez, Cactus and Sitio Grande—account for most of Reforma's production, which in turn represents more than three-quarters of Mexican crude oil output. The latest official figure for proven reserves in Chiapas and Tabasco is 12.5bn barrels. The Antonio Bermudez field alone has proven reserves of 7bn barrels, *almost as much as Alaska's* North Slope.

The Reforma area is limited to the south by the Chiapas mountain range, but exploratory work around Tuxtla Gutierrez and near the Guatemalan border has indicated attractive prospects. Next year Pemex plans to drill 40 exploratory wells in the two states.

The State oil company is also hinting at good prospects in the state of Jalisco, on the Pacific coast, but the greatest hope for the future is in the Chicontepec basin, reckoned to be one of the largest accumulations of hydrocarbons in the western hemisphere.

Reserves in the massive underground canyon, which covers about 1,275 square miles on the coastal plain north-east of Mexico City, are estimated at no less than 106bn barrels, of which Pemex claims that some 17.6bn barrels can be recovered. The oil will be difficult to extract, because the porosity and permeability of the rock formations are poor, and Pemex estimates that 16,000 wells, each producing only 50-100 b/d, will be necessary to develop the field fully.

Deep wells in the Chicontepec area helped Mexico to its strong position in the early part of the century, but shallower discoveries were always assumed to be unprofitable. It was not until the 1970s that more sophisticated exploration and production techniques, and a reassessment of the geological data, made the potential clear.

Pemex is treating the development of the field with caution. One outline plan suggests a development period of 13 years, with the purchase of 30 drilling rigs in each of the first four years. This year, 300 production wells are envisaged, with an average of 60 b/d per well, giving a total of 18,000 b/d.

Because of the technical difficulties, Chicontepec will cost far more to develop than a conventional field. Early last year, Pemex estimated that the plan could cost more than $8.7bn to implement. During the development period, however, cumulative production could amount to as much as 2.6bn barrels, worth about $83.2bn at today's prices. At peak output, Chicontepec could produce 740,000 b/d of crude oil and 1.2bn cubic feet a day of associated natural gas.

With the high number of low productivity wells that have to be drilled, Pemex will be able to plan the development in careful stages in an attempt to match its needs for labour and equipment with the ability of local industry to meet its demands. Crude oil output from Chicontepec has not been included under the Government's present production ceilings.

The technical challenge of Chicontepec is one that is likely to become an increasing concern for Pemex. The Ixtoc blowout was not only a serious embarrassment to the State company, but a major drain on trained manpower.

This, along with heavier rains than expected in Chiapas-Tabasco, late arrival of equipment and—some say—port congestion, caused the wide gap between Mexico's export target of an average 672,000 b/d of crude in 1979 and the actual average of 539,000 b/d. The shortfall would have been even worse but for higher than expected offshore production.

This pattern is likely to continue in 1980, with offshore crude representing an increasing proportion of Mexican output.

Murky prospects

The prospects for increased levels of production and exports in the longer term are murky. When the administration considers its future strategy later this year, it will be a difficult task to weigh the attractions of higher production against those of a conservative approach.

The Government has good reason to fear that any sharp rise in oil revenues will overheat the economy. Inflation neared 20 per cent last year, well over the official target of 13.5 per cent, and is threatening to spiral even higher this year, due in large part to pressure of demand.

Mexico revises its export price quarterly, in line with these set by the Organisation of Petroleum Exporting Countries, although it is not an OPEC member, and has no need or intention to become one. The 30 per cent increase in the export price announced earlier this month to $32 a barrel for Isthmus crude would give Mexico revenues of more than $6.2bn if applied to last year's export average, or $35.2m a day when the export target of 1.1m b/d is reached. This level of income may well be more than enough for the Government.

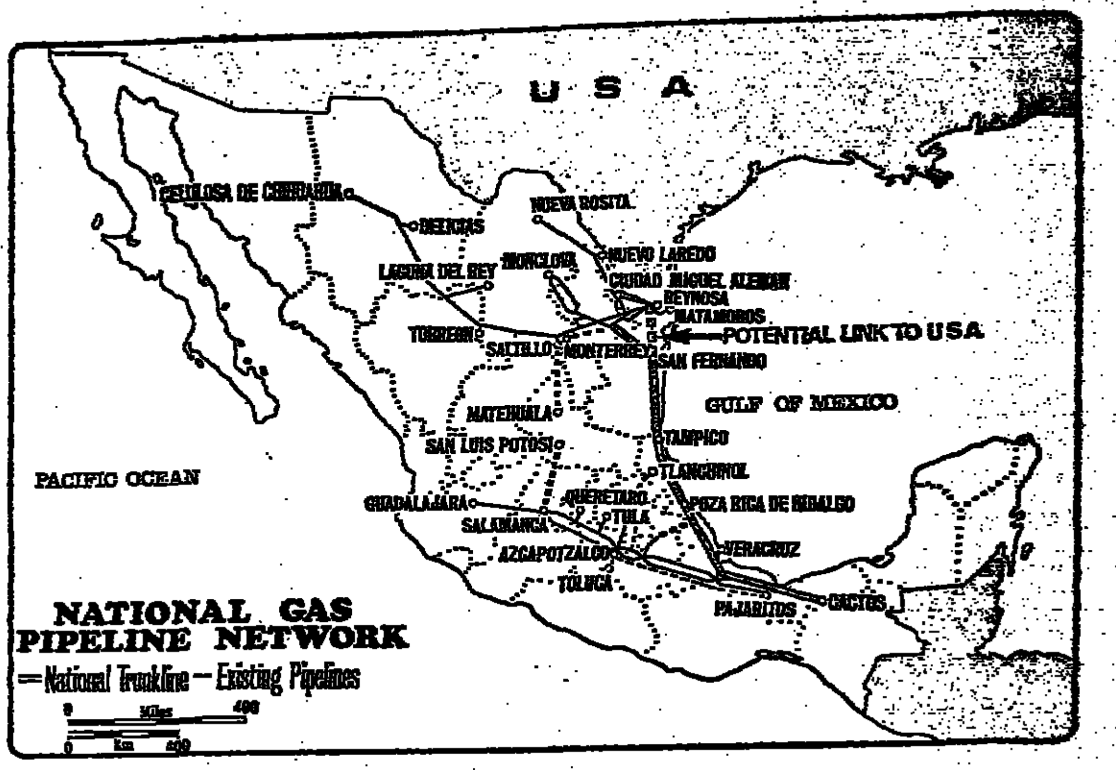
There is no doubt that oil revenues will be needed to *tackle Mexico's pressing social* problems. Unemployment and underemployment are approaching 40 per cent, and the country's population growth rate of nearly 3 per cent means that 700,000 new jobs must be created each year just to stop unemployment rising further.

President López Portillo insists that oil must be used for the benefit of the population as a whole, yet in the 1970s the gap between the top and bottom of Mexico's income distribution widened.

The oil industry is not labour-intensive, and can do little to soak up unemployment directly. But oil money is essential to the Government's decentralisation policy, aimed at alleviating some of these social problems. Heavy financial commitments have been made to establish industry in four designated "development ports"—Tampico and Coatzacoalcos on the Gulf coast, and Lázaro Cárdenas and Salina Cruz on the Pacific.

Raymond Whitaker

Gas exports begin to flow north



THIS MONTH the taps will be turned to send 300m cubic feet a day of Mexican natural gas across the border into the U.S., and Mexico will begin collecting $1m a day for a product that, until this year, had mostly gone to waste.

In a sense the flow has begun more than two years late. Six U.S. companies agreed in 1977 to take 2bn cubic feet a day of Mexican gas at a price of $2.60 per 1,000 cubic feet, but Dr. James Schlesinger, then Energy Secretary, vetoed the deal because the price was more than the $2.18 being paid to Canadian producers.

The decision was a considerable blow to Pemex, the Mexican State oil monopoly, which had already started work on a $1bn, 48-inch pipeline to carry the gas the 850 miles from Cactus in the southern oil fields to Reynosa, on the U.S. border.

The cost to Mexico can be seen in the fact that the country was forced to burn off at least 200m cubic feet of gas a day last year. But national sensitivity, always heightened in dealings with the colossus to the north, dictated that Mexico would hold out to the last for the "right price."

Agreement

It was not until last September, just before President José López Portillo's visit to Washington, that agreement was reached. In the end the "right price" turned out to be $3.625 per 1,000 cubic feet. In common with Mexico's oil exports, the price will be revised quarterly according to an OPEC-related formula.

The amount contracted for—300m cubic feet a day—represents only 2 per cent of current U.S. gas needs, but the "evergreen" contract places no ceiling on the quantities that can be delivered. It may not be long before the amount of gas piped into Texas doubles or trebles.

Mexico's proven gas reserves currently stand at 58 trillion cubic feet. Much of this is in the form of associated gas produced along with the crude oil. If there are no available outlets for this gas, the only alternative is to burn it off into the atmosphere.

The size of the problem is demonstrated by the fact that 63 per cent of Mexico's gas production of 2.561m cubic feet a day in 1978 came in the form of associated gas output. Many of the oil discoveries about to be exploited contain very high proportions of gas.

After the 1977 deal fell through, Pemex defiantly declared that the 2bn cubic feet a day that was to be delivered could be used domestically. Construction of the national gas trunkline was halted at San Fernando, 75 miles south of Reynosa, and the pipeline was connected to the existing system around the northern industrial city of Monterrey. (The gas deliveries to the U.S. will initially be made through an old pipeline link between Monterrey and Reynosa.)

A programme was launched to switch important fuel users from oil to gas as their principal source of energy. The Federal Electricity Commission is completing conversion work at seven of its major power stations in the states of Durango, Jalisco, Nuevo León, Hidalgo, Mexico and two in Veracruz.

Other industries, particularly in Monterrey, are being urged to convert to gas, thus freeing more oil for export or domestic use elsewhere.

There are ambitious plans for the use of natural gas by new industries at Mexico's two "development ports" on the Gulf coast, Tampico and Coatzqcoalcos. Pemex intends building spurs from the national trunkline to these two towns.

Plants

Pemex has five operational cryogenic plants capable of processing 1.1bn cubic feet a day of natural gas, four absorption plants with a processing capacity of 1.9bn cubic feet a day and two sweetening plants with processing capacity of 1.9bn cubic feet a day. Two additional cryogenic processing plants are under construction, with an aggregate processing capacity of 500m cubic feet a day.

There is no doubt that internal consumption of gas has increased, but the success so far of the conversion programme is impossible to judge. The American snub has made the scheme a point of national pride, and Pemex has to contend with domestic critics who claim that to sell any gas to the U.S. at all is a rape of the national heritage.

It is hardly surprising, therefore, that the organisation contends that only 120m cubic feet a day of last year's production of 3bn cubic feet a day of gas was flared off, and that the remaining 2.8bn cubic feet was consumed by industry, as a feedstock for the petrochemical sector, and in the re-injection of gas for secondary oil recovery.

These figures do not jibe with a Pemex official's estimate that in the Campeche fields alone—where there are no facilities yet for gas recovery—100m cubic feet a day was burned off last year, nor with the suggestion by Pemex's own research arm, the Mexican Petroleum Institute, that domestic consumption in 1982 would be around 2.1bn cubic feet a day.

However, the construction of the national gas trunkline has given Pemex the flexibility to cut down on gas wastage, and to tailor output more closely to levels of demand.

Pemex can take pride in the 774 miles of pipeline built so far. One of the most ambitious projects ever undertaken by the State monopoly, it was built in 17 months, despite having to cross 20 rivers and 221 canyons, and traverse several swamps and deserts. A Pemex official recently conceded that the company had the material to complete the final leg to the U.S. border, and it seems possible that work will begin once feelings have cooled.

The pipeline is capable of carrying 800m cubic feet a day of gas with the pressure generated at Cactus, but with the addition of 17 compressors the capacity can be boosted to 2.7bn cubic feet a day.

Pemex is also entitled to claim some success in progressively reducing gas flaring, despite the sharp rise in oil production over the past four years. In this respect, production problems in the Ferma fields last year were a blessing in disguise. The shortfall was made up from Campeche, which has a lower proportion of gas to oil. Pemex is also shutting down a number of "dry" gas fields, including the giant Sabinas field around the northern city of Monclova, until the production is needed.

This year, however, the balancing act will become more difficult. Production of crude oil from the Bay of Campeche is expected to double to 500,000 b/d during 1980, and the new wells coming on stream have a higher proportion of associated gas than those already in operation. But by the end of the year Pemex hopes to begin gas recovery from the offshore fields.

At this stage it is difficult to see a point at which Mexico might crimp oil production to avoid wasting gas. The future level of gas output will be the outcome of a number of factors, including the level of local demand, the speed of economic growth, the ratio of gas to oil in future discoveries—and perhaps, the willingness of the U.S. to pay the "right price" for more supplies.

Raymond Whitaker

Big U.S. market paramount in foreign affairs

"I THINK the Mexican Government should stop complaining endlessly about the Colossus of the North and the difficulties they experience sharing thousands of miles of common border with the U.S.," a Brazilian economist remarked to me a few months ago. "I wish to goodness that Brazil had Mexico's luck in being sited on the frontier of the biggest import market in the world."

For a century the U.S. has been the major foreign affairs problem of the Mexican Government. In 1848 the Treaty of Guadalupe Hidalgo formalised the loss by Mexico to its northern neighbour of half its territory—vast tracts of land which now make up California, Oregon, New Mexico and large parts of other states.

As Washington consolidated its hold on, and started developing, what was its Wild West and later its Golden West, politicians and soldiers in the U.S. capital continued to demand a say in the affairs of their southern neighbour. The last direct military intervention by the U.S. in Mexico was as recent as 1917.

Slackened

But even after direct intervention by the U.S. slackened as Mexican politics lost some of their turbulence, Washington continued and still continues today to be the paramount subject of Mexican foreign policy considerations.

Some two thirds of Mexico's foreign trade is with the U.S.; four-fifths of fuel exports go to the U.S.; U.S. private investment is the largest section of all foreign investment in the country; U.S. tourists form the biggest contingent of foreign visitors; Mexicans at any time can sell their pesos and buy U.S. dollars at will and there would be no effective means of enforcing any exchange control along the border if ever any Mexican Government decided it would try and attempt it. Mexico earns billions of dollars from the remittances of Mexicans working in the U.S. and U.S. cultural influences, from U.S. daily newspapers to cable TV, are freely available in major Mexican cities.

It is no wonder therefore that relations with Washington loom large in Mexican Government circles. Yet the big new finds of gas and oil and the evident U.S. thirst for them has forced Mexicans to co-ordinate their political and economic strategies towards the U.S. and think more systematically of ways in which they can get the greatest possible advantages from Washington.

Last month, Mexico demonstrated to the world its unwillingness to be embroiled gratuitously in Washington's quarrels by refusing to receive back the Shah who had left the country for medical treatment in the U.S. Unexpected as the move may have been to the U.S. Government, it certainly lay squarely within the prerogatives of the Mexican authorities.

More lasting economic benefits in the form of continued and assured access for Mexican exports to the U.S. market are now been sought in the negotiations for Mexican entry to the General Agreement on Tariffs and Trade (GATT). Proponents of entry argue that admission to GATT will permanently assure markets for Mexican goods in the U.S. which are now all too subject to the protectionist pressures of U.S. domestic producers. They add that a sufficiently long period of adjustment would allow Mexican industry to adapt to a freer import regime.

"As things are at present," one Mexican trade official remarked, "Mexican fruit and vegetable exports to the U.S. are stopped at the border every time there is a big outcry from U.S. growers with access to some influential person in Washington. Under GATT, the U.S. Government would have to prove its case before an international body before it could put on import restrictions."

Advantages

By negotiating liberal terms for entry into GATT and by seeking to condition increased exports of fuel to the U.S. to undertakings by Washington to give fairer treatment to Mexican exports—and indeed Mexican immigrants—in the U.S. the Mexican Government is seeking to make the best of the powerful oil card it has got to play. In that sense, Mexico is now getting down to seeking the advantages in the U.S. of which the Brazilian economist was so envious.

The businesslike attitude adopted by the López Portillo administration contrasts with the declamatory postures of the previous administration of President Luis Echeverría. The Third World rhetoric that the latter employed succeeded in irritating Washington to the maximum while not achieving any concrete economic advantages. Despite diligent searches in the Third World, the Mexicans could never find the markets or the suppliers there able to take the place of the U.S.

Though Mexico's trade relations with the European Economic Community add up to only one quarter of the value of trade with the U.S., the Commission in Brussels and individual member countries are courting Mexico assiduously for its oil supplies and for contracts to supply plant and technology. In the autumn, Herr Wilhelm Haferkamp, the Brussels Commissioner for External Relations visited Mexico City to press the case for closer Mexican-European relations.

Mexico has in the past looked to Europe to help offset the imbalance of its trade with the U.S., and France and Spain in particular could develop into reasonably important clients for Mexican crude oil.

With former President Echeverría's drive to make friends throughout the Third World in abeyance, the most important political initiative towards the developing countries has come with the effort of the ruling PRI or Institutional Revolutionary Party to forge links with political parties in Latin America. This was formalised last year with the creation of a Committee of Latin American Political Parties, whose delegates meet in Mexico City four times a year. The PRI's idea has been welcomed by many left of centre parties in the region, particularly those of Central America and the Spanish speaking Caribbean who see the PRI as a source of moral and financial support in their struggles with their opponents.

H. O'S.

MEXICO V

Leading Mexicans: William Chislett describes a day in the life of the President and explains the philosophy of the country's leading trade unionist, while Hugh O'Shaughnessy writes about a professor of economics who is about to launch a news magazine.

Jose Lopez Portillo

GOVERNING THIS country of 68m people spread over 31 states, which vary from the tropical to the barren and arid, demands tremendous energy and a few heads of state are as energetic as President Jose Lopez Portillo. Economist, lawyer, philosopher, painter, novelist and athlete, Sr. Lopez Portillo, who is now halfway through his six-year term of office, is regarded as the most "prepared" president Mexico has ever had.

Compared to his predecessor, Sr. Luis Echeverria, president Lopez Portillo's style is more pragmatic and less extravagant: two qualities which were considered necessary when he was chosen in 1976 from his post as Finance Minister to succeed the populist Echeverria.

President Lopez Portillo rose up the ladder through a series of posts in the ruling Institutional Revolutionary Party and the bureaucracy. After studying law in Chile on a Chilean Government scholarship, he taught at the National Autonomous University, one of the state universities in Mexico City, and also practised as a lawyer.

He joined the PRI in 1959, was an adviser in the Ministry of National Resources from 1959-60, and until 1965 worked on several studies, including urban development and electoral processes for the PRI. During the Diaz Ordaz Government he was Director General of the legal adviser's department in the Presidency Ministry from 1965-68. When his friend from schooldays, Luis Echeverria, became President in 1970 he was named Deputy Minister for National Resources. Later he headed the Federal Electricity Commission and became Finance Minister in 1973.

Just keeping in touch with the pulse of the 31 states makes it necessary for him to make at least 60 trips a year out of Mexico City. To accompany him on one of these trips is to get a privileged insight into what makes this complex country tick and into the character of a president with immense centralised power.

Punctual

This time it was the turn of Chihuahua, one of the least populated but the largest state in Mexico. It borders the U.S. and is an important area for ranching and mining. Being so near to the frontier, it is also the source of a lot of illegal emigration to the U.S.

Accompanying the president were several Ministers, including those for defence and planning, Vice-Ministers, the head of social security, the Governor of Chihuahua and bodyguards.

The President has an acute sense of punctuality, a most un-Mexican trait, and everyone had to be at the city's airport half an hour ahead of him to board Quetzalcoatl 2, one of the two presidential jets which Sr. Lopez Portillo named personally after Mexico's legendary pre-hispanic "white god man." Sr. Lopez Portillo is fond of making mythological references in his speeches and once wrote a novel about Quetzalcoatl, who fled Mexico and returned, so the Indian population of the day mistakenly thought, as Hernan Cortes the Spanish conquistador.

During the flight, the President caught up with writing letters, but unlike many presidents did not revise his speeches, for most of them are improvised. He read a synthesis of the day's news, prepared for him by his Press secretary, which was divided into "favourable" and "unfavourable" items. That day only one story was marked down as critical—an editorial in the independent newspaper Uno Mas Uno about falling agricultural production and the Government's inability to solve the problem.

After almost two hours we arrived at Chihuahua, coming in to land over a mountainous, lunar landscape, dotted with scrub. There was the ritual military salute and a well ordered, small crowd of local people holding aloft freshly printed banners, bearing the inscription of the Institutional Revolutionary Party, which has ruled Mexico for 50 years.

No sooner had we got our feet on the ground than we were off again, this time in several small Arava aeroplanes belonging to the Mexican Air Force. They took us to Ciudad Cuauhtemoc, half an hour away. We flew over miles of unpopulated land, given over, where cultivatable, to maize and other crops, and landed on a dusty strip of field at the local army barracks.

Another military salute, a few waves by the President to the crowd and then a drive through the town in the presidential bus to open a food factory. Before he boarded the bus a cowboy-hatted individual managed to thrust a letter into the President's hand, asking for a solution to a problem. Mexican bureaucracy is so unwieldy and slow that everybody tries to cut through the daunting paperwork and delays by finding a "contact"—and who better than the President?

The President cut the ribbon to open the state factory which makes an enriched mixture of maize and soya bean, but did not utter a word. This was something which happened at other ceremonies during the trip and it struck one as strange until, as the day got longer, the fundamental purpose of such visits became clear: the President was here to listen and to be seen to be interested and not to harangue.

This gave the factory's manager a chance to stress the lack of nutritious food in the area (Chihuahua has 4,000 isolated communities of fewer than 100 inhabitants each) and how the state would now tackle this problem.

This was followed by the opening of a meteorological station: where the President munched on a Chihuahuan apple; a 50 minute session in the local Lion's Club to hear reports on the state of public works and industry programmes and then an hour's journey by air to the town of Casas Grandes for lunch.

This time the guests were farmers and after a quick meal of turkey and apple pie there was a series of reports on the state of the countryside, including a speech thanking the president for his support by, as the programme called him "a peasant." The peasant was well dressed and did not look as if he had been labouring very much in the fields.

After lunch, the President made a lightning visit by helicopter to an ejido (state owned smallholding) and then returned to Chihuahua to inaugurate some houses built by the Government's social security agency.

Autonomy

The next morning the President was made an honorary citizen of the state of Chihuahua (he has collected many such titles) and at the university was presented with a scroll to commemorate his recent initiative in enshrining in the constitution the principle of autonomy for universities.

On both occasions he gave improvised, philosophical speeches which elevated to a fine art the Mexicans' love of theory. This time it was on his favourite theme of the division of powers and the need for dissatisfaction to be expressed institutionally.

Back on the flight to Mexico City the President played dominoes for the whole time; joking with his Ministers that they wouldn't score any political points if they beat him. He won every time.

Fidel Velazquez

SR. FIDEL VELAZQUEZ, the 79-year-old head of the Confederation of Mexican Workers (CTM), has held Mexico's labour movement together for almost half a century. More than anyone else, he has been the architect of the delicate and immensely complex relationship between the Government, the unions and the private sector which has permitted Mexico to enjoy high and sustained levels of economic growth and 50 years of political stability.

Despite his age, he is still a much revered and controversial figure in Mexico. His many admirers regard him as one of the few statesmen the country has produced this century. His critics, on the other hand, accuse him of creating an aristocracy with the workforce which has sold out to the Government and bowed to private sector pressures to maintain the status quo.

Only about 4m out of a total work force of 18m (half of which is unemployed or underemployed) belong to unions and 3m of them are in the CTM. The CTM is the backbone of the labour wing of the Institutional Revolutionary Party, which has ruled without opposition for 50 years.

There is some truth in all the different points of view, but no one denies that Don Fidel, as he is generally called, will figure very largely in the history books of 20th century Mexico and that when he goes, the country's unions will not be the same.

He dismisses with a laugh *rumours that he will present his* resignation at the CTM's national congress later this year. "It is not just my wish," he told me. "We have analysed the situation for the past year and cannot reach any other conclusion. There are many people who can take my place, but not all want to assume the responsibility and not all have the necessary consensus."

Don Fidel's softly spoken, carefully phrased words underlined the feeling that it is not in the Government's interests at this critical moment, when inflation is threatening the expansionary growth plans, to change the linch-pin of the system.

Sr. Velazquez was a key figure in supporting Sr. Lopez Portillo's presidential candidature.

He knows the workings, the intrigues, the trappings of the system perfectly and has *mastered its rhetoric to a tee.* No other figure in Mexico has kept his post under so many governments, for the rule is that every six years, with the entry of a new government, all the key positions change around.

For the past three years he has successfully persuaded workers to toe the Government's line that inflation has to be fought by moderating wage increases. This argument, however, is now losing some of its attraction as workers have lost at least 20 per cent of their purchasing power in the last three years and are becoming impatient with the Government.

Don Fidel started work after primary school as a farm labourer and milk roundsman. In 1921 he joined the milk industry's union and two years later he headed it. After the PRI was formed in 1929, he was instrumental in bringing over workers to the party's labour sector and in 1936 founded, with Sr. Lombardo Toledano, the CTM. He took over the CTM in 1941 after manoeuvring out the Marxist Toledano. Sr. Valezquez has been a senator on two occasions, and since 1951 vice president for Latin America of the International Confederation of Free Trade Unions.

His life style is modest and low key compared to other figures and he is renowned for making few public announcements and not speaking to the press. He is not driven about in the customary bullet-proof black limousine but in a less extravagant green saloon; all of which enforces his image as a worker.

Don Fidel accepts that "there will never be in a country like Mexico sufficient work" and so he said he was proposing, so far without success, the creation of an unemployment benefit fund.

He told me that the Left wing "democratic tendency" has been weeded out of the CTM. The communists were not interested in improving the conditions of workers but in obtaining political power.

When I asked him how he reacted to the concern being expressed privately by businessmen that things will not be the same after Don Fidel, he leant back in his chair, laughted and said: "There's no reason for them to be."

Samuel I. del Villar

MANY OF THE most promising ventures in the often undistinguished field of Mexican journalism have in the past been linked with the name of a young professor of economics. Later this week another new magazine, Razones, a serious *news fortnightly, will appear* bearing the names of Samuel I. del Villar and a group of his colleagues.

At 34, del Villar teaches economics at the Colegio de México, the Mexican equivalent of All Souls College, Oxford, and at the faculty of political sciences of UNAM, the National Autonomous University of Mexico, the country's biggest. Since his student days he seems to have combined a devotion to economics with at least as strong a desire to get his own views about the subject over to a mass audience.

Before he had got his first degree at UNAM he was a columnist on Excelsior, Mexico's biggest daily newspaper and he continued to write for it as he went off to Harvard Law School, the London School of Economics and the Institut de Science Politiques *in Paris.*

But in his latter days with Excelsior, under the editorship of Julio Scherer the newspaper was rapidly and uncompromisingly irritating the president of *the day, Luis Echeverria* Alvarez, with its tart references to enormous social problems of a country where the gap between the rich minority and the poor majority was getting *bigger* and bigger. In the end President Echeverría's men staged a sort of coup d'état within the newspaper and Scherer, del Villar and many other leading contributors were ousted.

Scherer, Villar and a group of their friends were not however to be put off and founded a weekly magazine, Proceso (Trial), which has tried to keep the more radical ideas of the old Excelsior team going.

In October, del Villar decided to set up a fortnightly which, in his words, would concentrate more on detailed reportage than denunciation. "The Mexican reading public first of all needs to be informed," he commented.

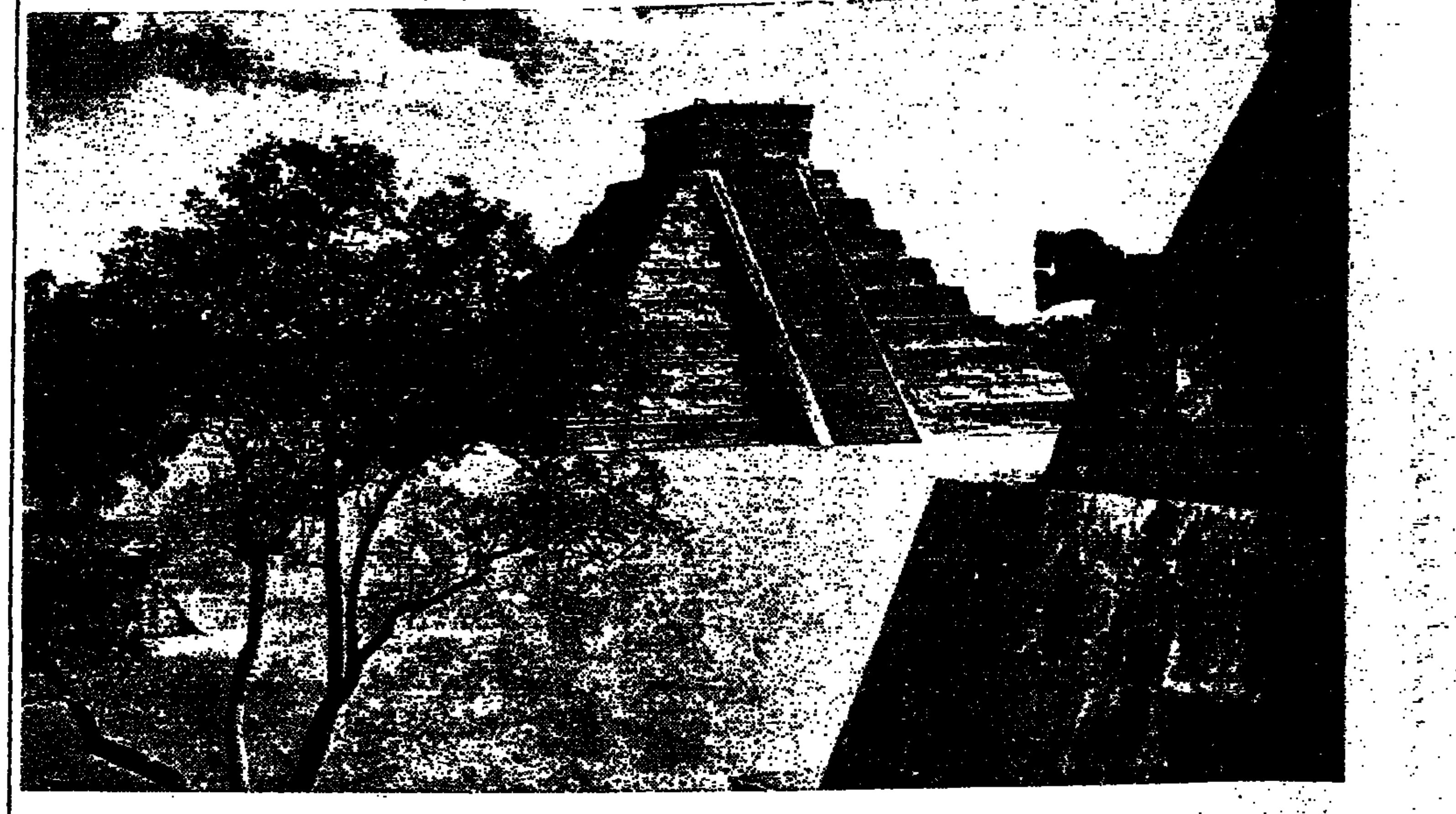
So with a team including Rafael Segovia, Fernando Rosenzweig, Miguel Angel Granados Chapa and Blanca Torres and a tiny budget of around £20,000 he is setting up to conquer a circulation of 40,000.

Contributors are going to be paid for their work with share certificates rather than money until the magazine has reached its break-even point.

There can be no doubt that *the Mexican press* would be much healthier, and indeed more interesting, if Razones were to succeed. It is a fault of many of the country's newspapers and magazines that they are unwilling to separate news from advertisement and in many newspapers one is never sure who paid how much to have what story printed in the newspapers. Some of the larger circulation newspapers daily carry acres of photographs of society events, often of a flashiness and vulgarity offensive not just to the susceptibilities of the average Mexican striving to exist on a wage of *£8 a week,* but *also* to *common* good taste.

Despite del Villar's commitment to a more honest Mexican press he has been retained as an adviser to various Government departments.

MEXICO VI



Mexico's biggest pyramid, El Castillo, at Chichen Itza, Yucatan

Tourist industry has massive potential

MANY RECORDS were broken in Mexico's fledgling tourist industry last year and there is still tremendous room for growth, for the country's tourism potential remains largely untapped.

Mexico has everything to offer the tourist: fine weather most of the year; places of great historic interest; a varied scenery; a basically hospitable people; political stability; moderate prices and a generally good infrastructure.

In the first 11 months of last year the Tourism Ministry estimated that 4.2m people visited the country as against 3.7m foreigners in the whole of 1978 and 3.2m in 1977. On average they spent $338 during their stay compared to $326 in 1978; hotel occupancy rate was 78 per cent as against 65 per cent in 1978 and the net contribution to the country's balance of payments was $760m compared to $602m in 1978.

If border crossings from the U.S. into Mexico are included in the tourism account—which they are not by the Tourism Ministry—then the net revenue earned was $1.6bn; 17 per cent more than in 1978. Tourism contributes about 7 per cent of the GDP.

The year would have been better but for a 25-day strike by the private airline company Mexicana which cost the tourist industry at least $30m.

Mexico's other airline, the State run Aeromexico, transported 65,000 people last year just between Mexico and the U.S. and this year forecasts 860,000; a 30 per cent increase.

U.S. visitors provided 85 per cent of Mexican tourism business last year with 10 per cent from Japan and the rest from Europe. For U.S. citizens Mexico, even more than before, has become an exceedingly attractive place. Ironically this is partly a result of the sharp increase in U.S. petrol prices.

Mexico City's central Alameda Park

The petrol rises have had the effect of making more U.S. citizens come to Mexico by aeroplane than by car, although last August the flow of cars over the border experienced a sudden surge for many U.S. families were crossing into Mexico just to buy their southern neighbour's cheap petrol.

Mexico's Tourism Minister, Sr. Guillermo Rosell de la Lama, put the situation in nutshell last year when he said that it was cheaper to fly from Houston to Cancun, a Gulf Coast resort, than to drive a few hundred miles in the U.S. Mexico's air fares rose last year by around 15 per cent compared to a 63 per cent rise in U.S. petrol prices.

Erratic

Prior to 1978, Mexico's tourism industry showed rather erratic growth. This was due to various factors including world recession, the fuss caused by Mexico's decision to vote in favour of the UN resolution equating Zionism with racism, which resulted in pro-Israel lobbies manoeuvring to discourage tourism in Mexico, and the Mexican Government's lack of finances to promote the industry.

Recession persists, particularly in the U.S., but this has not produced any decline in the number of U.S. tourists. The row about Zionism has died down as Mexico has carefully smoothed over the affair and, with the increasing oil revenue, the Mexican Government has more resources to improve infrastructure and make credit available to the private sector.

FONATUR, the Government's agency to promote tourism, granted credits worth 4.6bn pesos ($203.5m) last year compared to 3.8bn pesos ($168m) in 1978. From 1957 to 1978, FONATUR only granted credits worth a total of 8.5bn pesos and 93 per cent of them were made available in the last six years.

Last year, 180 hotels were completed which provided 11,000 more rooms. Private investment in tourism last year was 6bn pesos ($1.1bn).

Next year, 18,600 rooms are planned to cope with an expected inflow of foreign visitors of 4.7m and growing domestic tourism. The domestic front is where the greatest growth is forecast, for more and more Mexicans are taking their holidays in their own country. Over four times as many Mexicans take their holidays in Mexico as foreigners.

As more new areas are opened up, like Chiapas in the tropical south and Baja California, the peninsular in the north, so the pressures on the tourist industry to keep up with services will become intense. The Government is deliberately adopting a policy of trying to co-ordinate growth in the tourist industry with a realistic assessment of the capacity of different areas to meet demand. "We don't want another Costa Brava here," commented a tourism official "where services nowhere meet demand."

The Mexican line is to promote the image of Mexico as able to offer quality rather than going hellbent on attracting as many people as possible.

The domestic factor in the tourist industry will become increasingly important as the purchasing power of the middle class rises. Last year, the $1.4bn that foreigners brought into the country was almost halved to $760m net by the spending of Mexicans abroad. This outflow of tourist revenue is spurring the Government to encourage more Mexicans to explore their own country.

At the same time, the Government is anxious to avoid exacerbating the country's social problems by opening up impoverished areas too quickly to tourism. Officials say they have learnt from the experience of turning Acapulco on the Pacific coast into a tourist's paradise which, as one official put it, "is surrounded by a belt of misery."

The contrast there is sharp. Up in the hills families in shacks, without water and electricity, look down upon the bay of Acapulco which glitters with villas and high rise hotels.

William Chislett

Industrial areas take shape

SIX YEARS ago Lazaro Cardenas was a sleepy little Pacific coast village of about 4,000 people, most of whom eked out their isolated lives by selling coconuts, mangos and other fruit. It was a place which typified the commonly held image of Mexicans spending warm summer afternoons under the shade of cactus, oblivious of the world.

Today Lazaro Cardenas—named after the general who nationalised Mexico's oil industry in 1938—is in the throes of becoming one of the country's four port development areas. The traditional straw sombrero has given way to the metal helmets used by the 5,000 steel workers at the town's giant Sicartsa steel mill, which is flanked by palm trees and the blue ocean.

As Mexico's oil revenue pushes the economy into high gear so the need to decentralise out of overcrowded Mexico City will become greater. Over half the country's industry is sited in the capital, 7,000 feet above sea level, and a fifth of its 68m population live there. The demands of a population growing by 3 per cent a year make it imperative that new areas be developed and the gap between town and countryside narrowed.

Last year the Industry Ministry recognised this need for decentralisation and announced that Lazaro Cardenas along with Salina Cruz, also on the Pacific Coast, and Tampico and Coatzacoalcos on the Gulf Coast would be developed as the industrial areas of the future.

The Government is rapidly laying down infrastructure, particularly to Lazaro Cardenas and later to Salina Cruz—the most underdeveloped of the four ports. The carrot to attract private industry out of congested Mexico City, where industry no longer enjoys any incentives, is 30 per cent cheaper electricity, natural gas and fuel oil as well as generous tax credits according to the number of jobs created.

By siting the development areas on Mexico's two coasts the Government is hoping to relieve the serious "bottleneck" problem in transport. Industry would be able to export and import right on its doorstep and not, as at present, have to bring or send products from the top of a mountain—Mexico City.

Lazaro Cardenas itself is being quickly developed. The population of the area has grown to around 60,000 in the last six years and by 1990 is projected to be between 300,000 and 850,000, depending on how briskly private industry takes the initiative.

Every street is paved, thatched huts have been replaced by brick houses, and the old town hall replaced by a new large building. "Superman" is showing at the new cinemas. Roads link Lazaro Cardenas to the north and south and last month the town was joined to the national railway system when 100 miles of new track, much of it through mountainous terrain, was inaugurated.

Lazaro Cardenas began to be transformed when the last Government decided in 1973 to site the Sicartsa mill on the Pacific coast. The mill's present installed capacity of 1.3m tonnes will be raised through four stages to 9.9m tonnes by 1990, when it will be one of the largest steel complexes in the world. Sicartsa's second stage will start this year.

The deep natural harbour at Lazaro Cardenas has the potential to be the country's largest port and plans for such a development are on the drawing board.

Waiting

The private sector has bought many plots of land from the Government's special commission for the area—which says that it is controlling land speculation by making it a condition that plots resold have to be first offered back to the commission. But businessmen are waiting until the infrastructure is a little more solid before starting to build.

The task of making Lazaro Cardenas into the Milton Keynes of Mexico has been far from easy and the path ahead is still fraught with dangers, most of them the inevitable consequence of bringing industrial development to a country where unemployment and underemployment affect over 40 per cent of the work force and the gulf between rich and poor is immense.

Lazaro Cardenas has already had one "black era" when the first stage of the Sicartsa steel mill was constructed. Since then Government planners have been working hard to avoid a repetition of that occasion, when grossly inadequate services and a steady uncontrollable flow of workers into the area gave rise to a tense, sometimes violent atmosphere. There were street fights, a lot of heavy drinking and a sharp increase in the crime rate.

At the height of construction activity in 1976 there were almost 100,000 people in the Lazaro Cardenas area. Whole families came, lured by the chance of work. But there were nowhere near enough schools, clinics and houses. That gap has now been filled, says the commission.

Management at Sicartsa found it very difficult to keep workers at the mill because their families, often from areas hundreds of miles away from Lazaro Cardenas, could not adjust to the tropical climate and the strange new surroundings.

In 1977 42 per cent of the Sicartsa work force changed during the year. This very high turnover, which had a marked effect on production causing it to lag way behind capacity, pushed Sicartsa into what it calls a "social action" programme.

Last year the situation had improved to such an extent that the turnover rate was down to 14 per cent. Sicartsa's cultural programmes, cheap mortgages for workers and schools for workers' children have helped families to adjust to a new landscape.

W.D.C.

Agriculture in poor shape

1979 WAS a bad year for Mexican agriculture, for long the most impoverished, politically sensitive and non-productive sector of the economy, and the prospects for 1980 are no better.

Last year the volume of production of the nine main crops fell by 9.4 per cent over 1978, according to the Agriculture Ministry, and the yield per hectare dropped by 2.6 per cent. Total production of the crops, including corn, was 16.6m tonnes compared to 18.3m tonnes in 1978.

Severe frost and drought, the worst for 30 years, were the main reasons for the fall in production, but as usual, antiquated farming methods, which still persist in many parts of the country; the lack of credit and the inadequate transport system, played a significant role.

This decline in production was particularly serious because there were 2m more mouths to feed in 1979 than in 1978.

As a result, the Mexican economy, fuelled by the rising oil revenue, is poised to "take off" for a sustained period of time without a solid agricultural base. This will inevitably strain to an even greater extent the fabric of rural society, producing a continued and massive migration to cities and towns from the countryside and an agricultural production level unable to keep up with population growth.

For example, production of maize, the staple food for millions of poor Mexicans, fell by 18 per cent and frijoles (kidney beans), another basic food, by 32 per cent. Imports can and do fill the gap between demand and production, but very often imported foodstuffs only reach the urban areas and not those isolated areas where the poverty is greatest. This is because of the "bottlenecks" in the transport system.

CULTIVATION OF BASIC CROPS
(hectares)

	Rice	Maize	Beans	Wheat
1967-68	62,598	433,225	49,295	471,195
1968-69	70,101	435,461	57,330	514,853
1969-70	62,765	458,082	63,383	513,331
1970-71	62,556	429,557	73,994	405,011
1971-72	66,635	445,376	64,062	445,270
1972-73	58,422	583,459	80,102	453,983
1973-74	75,406	677,883	153,995	492,770
1974-75	125,367	682,887	227,264	541,126
1975-76	61,589	565,228	170,687	689,159
1976-77	99,810	907,446	128,476	502,900
1977-78	65,389	616,754	179,665	613,757

Source: Government report 1978.

Exports

Mexico still managed an agricultural trade surplus last year, unofficially estimated at around \$400m compared to \$660m in 1978, thanks to exports of coffee, strawberries, tomatoes and other fruits and vegetables. However, such a surplus, the result of turning over some of the best irrigated land to capital intensive export crops, should in no way detract from the enormous food problems.

Nor should the fact that the government makes much of the issue that the increase in the value, as opposed to the volume, of agricultural production approaches, and sometimes exceeds, the annual population growth rate of 3 per cent. Mexico's population growth rate is one of the highest in the world.

The volume of production, with so many new mouths to feed every year, is the vital factor, although this is not to belittle the importance to Mexico's worsening balance of payments situation of earning extra revenue.

By the end of the 1980s there will be about 17m more Mexicans, a 25 per cent increase ovr the present population of 68m. Mexico, by 1990, will be a richer society with a stronger internal market, but the dual aspect of the Mexican economy, with agriculture lagging behind the other sectors, which are showing dynamic growth, will be even more pronounced.

At the moment, about 40 per cent of the population works in the countryside and produces a mere 8.4 per cent of the gdp. In 1960, 50 per cent of the population was employed in agriculture and produced 11 per cent of the gdp.

Between 1965 and 1970, the GDP grew at an annual average rate of 5.5 per cent, while the agricultural sector alone only increased by 1.6 per cent. The picture which has emerged over the years is one of a stagnant sector with a yearly reduction in the per capita agricultural product: little stemming of the flow from the countryside to urban areas, and the plight of those who stay in the countryside no better, if not worse.

A study published last year in the magazine of the Banco Nacional de Comercio Exterior (Mexico's foreign trade bank) revealed that, whereas in 1958 the country's richest 5 per cent had an income 22 times greater than that of the poorest 10 per cent, by 1977 the gap had widened to the richest 5 per cent having an income 47 times greater.

It is not surprising that such a situation has been reached, for it is the legacy of the policies of successive governments which have paid lip service to the ideals of the 1910 Mexican revolution. The revolution overthrew the conservative dictatorship of Porfirio Diaz.

But there is also another factor and one over which the Government has little control. This is the fact that Mexico's mountainous topography and scarcity of water combine to limit the cultivable area to around 30m hectares—about 15 per cent of the country's total area.

The run off from all the rivers in Mexico is less than that of the Mississippi alone and most of the water resources are concentrated in the southern, tropical areas of the country. These regions have yet to be fully developed.

There has been a steady decrease in the land harvested per capita from 0.29 hectares a Mexican in 1970 to 0.23 hectares last year. The sharply rising population and the lack of credit to enable farmers to use more modern methods are mainly responsible for this failure to increase yields.

Last year, total credit, expressed in constant 1960 pesos, granted by private and state banks to the agricultural sector, amounted to 17.7bn pesos compared to 15.6bn in 1978 and 14.5 in 1977.

Were it not for such a rapidly increasing population, Mexico's agricultural problems would not be so acute. But, with such a population growth rate, which is faster than the ability to open up new land, the brows of government officials are becoming increasingly furrowed by the prospect that a substantial amount of the revenue from Mexico's oil exports might have to be used by the end of the century to pay for imports of basic food stuffs.

Mexico was a net exporter of cereals in the late 1960s. Last year, over 2m tonnes of cereals had to be imported and this year, officials are talking of 6m tonnes because of last year's bad harvest. Sugar is another, but not so serious, problem and this year Mexico might be unable to reach its export quota. Many of the poorly-managed, rundown sugar mills are being turned over to the Government.

Given this dire situation, it is encouraging to see that the present Government is starting to give priority to agriculture.

This year's budget for the agricultural sector is 123.9bn pesos (\$5.4bn); a 36 per cent increase over last year. Agriculture's share of the total budget has risen and agricultural economists have also taken encouragement from the fact that, probably for the first time, most of the agricultural budget is capital and not current expenditure. Of the 123.9bn pesos, 74.7bn pesos (\$3.3bn) is for new investment and the rest to meet running costs.

President Lopez Portillo is also less prone to make political capital out of the battlecry of the 1910 Mexican Revolution, "Tierra y Libertad" (Land and Freedom). Instead of concentrating on land ownership—given the scarcity of land—he is pressing the need to increase production. He has said that if land distribution continues at the present rate then everyone will be left "with a piece of dirt."

Slowed

He has slowed the pace of dividing up and expropriating land, which was greatly accelerated by his predecessor, Sr. Luis Echeverria. For example, the last Government expropriated a total of 168,236 hectares in its six years of office compared to 10,609 hectares by the present Government in its first three years of office.

This more conservative policy has, of course, greatly pleased the land-owning elite, which has managed to get around the laws which restrict the size of holdings to 100 hectares of irrigated land and 300 hectares of non-irrigated.

Political pressures however, could very well lead in the future to a stepping up again of expropriations for the desire, on the part of peasants, to own land is intense. From time to time this erupts into land invasions.

The sad fact of the matter, argue leading agricultural economists like Dr. Kenneth Shwedel, of Banamex, the number two private bank, is that there is not enough land to satisfy demand. He estimates that 40m hectares of harvested land are presently needed for poor families to earn the minimum daily urban wage of 120 pesos (\$5.4). But, at most there are only 30m hectares of cultivable land of which half is currently used.

This scarcity of land will worsen as the population rises. At the same time a great deal more can be done to relieve the desperate situation by opening up more of the available land.

The development of the hydro-agricultural infrastructure is a key to higher productivity for most of Mexico's agricultural land is rain fed.

Last year's aim was to bring into the irrigation system a further 226,248 hectares and to rehabilitate another 218,985 hectares of abandoned land. But bringing more land under irrigation is not essentially improving Mexico's food plight. Irrigated land is mainly used for lucrative export crops like strawberries and is in the hands of "modern" farmers. Corn and beans, the basic ingredients in the Mexican diet, are concentrated on rain fed lands.

This raises the question of whether the Government should consider switching irrigated land out of export crops to strive for food self-sufficiency, or continue to encourage export crops, often labour as well as capital intensive, in order to generate more rural opportunities and to pay for the increasing import food bill.

Judging by the little comment which such a question has raised, it would seem that the Government will not change its present policy on this matter.

Scotched

However, the Government has made it clear that it will not trade oil for cereals. When such an idea was raised in some circles in the U.S. last year, it was quickly scotched in Mexico for political and nationalistic reasons.

The barter idea highlighted a feature which will become more prominent in the next decade. This is Mexico's growing dependence on the U.S. market not only for capital goods, but also for grains and oil seeds.

This increasing interdependence between the U.S. and Mexico, fostered by Mexico's oil, will not make it easy to solve amicably the conflicting interests of U.S. and Mexican growers. For example, Florida tomato growers brought anti-dumping charges against Mexican growers last year. The charges were overruled by the U.S. Treasury Department.

The future panorama, then, is not at all promising and the level of Government intervention in agriculture will have to increase to make sure that the deteriorating situation does not get out of hand.

W.D.C.

Motor industry expands quickly to meet demand

MEXICO'S MOTOR industry is booming as anyone who lives in Mexico City knows if he is unlucky enough to be caught in the capital's rush hour traffic. Bumper to bumper, cars go up and down the six-laned Paseo de la Reforma at a snail's pace and often it is quicker to walk.

Apart from the oil and petrochemical sectors few other parts of the Mexican economy are showing such dynamic growth as the motor industry.

This expansion is the result of the country's general economic recovery from the devaluation of the peso in 1976, which hit the motor industry very hard, and the tremendously young market in Mexico.

Only one in every 18 Mexicans has a car, and with a predominantly young population (totalling 68m of which almost half is under the age of 16), which is increasing by 3 per cent a year, there is vast potential for domestic sales.

Last year, based on the first nine months, total motor industry production increased over the same 1978 period by 17 per cent to a total of 327,373 units. The most spectacular growth was in the production of cars, which registered a 62 per cent increase, followed by lorries with 36 per cent, tractor trailers only 0.9 per cent and buses 0.4 per cent. Sales followed exactly that pattern, highlighting the great demand.

The motor industry has now fully recovered from the slump in sales that followed the devaluation. Last year, for the first time since 1975, car sales exceeded the pre-devaluation record of 231,108 units. In 1976, car sales dropped to 139,137 units; in 1977 they picked up to 194,471 units and in 1978 rose to 226,587.

Second place

New investment in the Mexican motor industry is forecast at 27bn pesos ($1.1bn) over the next four years and total export earnings at over 77bn pesos ($3.2bn). The total accumulated investment in the industry at the end of 1978 was 15bn pesos ($663m) with a workforce of 46,000. After oil, the industry occupies second place in the value of its exports which last year exceeded the 1978 figure of 17bn pesos ($752m).

Most of the world's major manufacturers are in Mexico. Chrysler, Ford, Nissan, Renault, Volkswagen and General Motors are here—all 100 per cent foreign owned as they started before the joint venture law came into force—but not Fiat or Citroen.

Their expansion plans include an investment of $400m by General Motors, $132m by Volkswagen, whose Beetle, still made in Mexico, is as popular as the Mini in Britain, and $44m by Ford.

General Motors is to build a new plant near Saltillo in north Mexico which will eventually produce all of the company's cars in Mexico. The existing plant in Mexico City will cease to produce cars but will continue to make lorries. General Motors is also building an engine plant near Saltillo.

Ford is building a new plant at its complex at Cuautitlan, near Mexico City, so that it can increase car and lorry production by 29 per cent. Ford has also entered into a joint venture —in a minority position for the first time in its history—with Grupo Industrial, Alfa, Mexico's leading holding company, to build a plant for aluminium motor heads. In another joint venture Ford, again in a minority position, will construct windscreens with Grupo FIC.

The motor industry is moving into such a high gear that last year it began to face some serious shortages in steel products and spare parts. The lack of steel and parts, coupled with their late and costly delivery when available, is holding back expansion.

The steel problem is affecting many sectors of the Mexican economy. Recognising this, Sidermex, the Government's holding company for the three State steel mills, is planning to raise State steel production by 1990 from the present 4.8m tonnes to 18.5m tonnes.

Another problem, which looked like being a major headache for the motor industry, is that according to a Government decree issued in 1977, the industry has until 1982 in which to balance its export-import accounts. The decree aims to make the industry more integrated: cars are assembled in Mexico, but many companies have to import a lot of components. The decree's purpose is also to make sure that the motor industry does not become a drain on Mexico's deteriorating balance of payments situation, and that it becomes a net foreign exchange earner.

The decree, coming so soon after the devaluation of the peso, caused gloom among the industry for it effectively forced it into expanding at a difficult time. Companies can meet the Government's demands either by obtaining more components in Mexico or by exporting more vehicles. Obtaining more parts in Mexico in turn means seeking joint ventures with Mexican producers.

Spare parts are a problem, but not the export of the finished vehicle. Volkswagen, for example, which is the market leader in Mexico, is surging ahead and in the first nine months of last year increased its exports over the same 1978 period by 32 per cent to 16,973 units.

While the car demand is just about satisfied, with firms working at full capacity, the demand for lorries is at least 7 per cent above present production. After the devaluation of the peso, firms were pushed into recession and so did not renew their transport fleets. The problem now is that the country's economic expansion is placing such a strain on the inadequate transport system, creating "bottlenecks," particularly in the railway system, that firms are having to transfer freight out of trains and into lorries.

Apart from lorries, there is a growing problem in the lack of tractors made in Mexico. Ford, International Harvester, John Deere and Massey-Ferguson, bought out last year by Grupo Alfa, are in Mexico, but production is not great.

The Volkswagen Beetle, still made in Mexico, is one of the country's most popular cars

For example, the Agriculture Ministry announced last year that it needed to import 5,000 tractors to carry out its mechanisation programme in the depressed countryside. Mexico has a severe agricultural problem, because of falling production and a greatly increasing population, and the demand for tractors will become very great.

Later this year the Government intends to announce a decree which would offer incentives to increase tractor production, particularly the making of tractors of 130 horsepower, very few of which are made in Mexico.

W.D.C.

Bankers nervous despite good profits

A CERTAIN nervousness is creeping into Mexico's private banking sector despite the fact that last year saw a healthy growth in deposits, another good rise in profits (by about 30 per cent) and a rapidly expanding economy — now back on its feet after the peso devaluation of 1976 and with a horizon brightened by rising oil revenue.

Confidence is still fairly high among bankers, but various factors connected with what many regard is an overheated economy are beginning to take the edge off their optimism. One is the fresh signs of "dollarisation" — the placing of deposits in dollars and other foreign currencies instead of pesos. Others are inflation, higher public spending and an increase in the peso reserve requirement.

In the first nine months of last year peso deposits rose by 84bn pesos, or 18 per cent. Dollar deposits, however, increased by 29 per cent, or $1.3bn. According to the Bankers' Association, total deposits at end-September were 637.4bn pesos ($12.55bn), of which 83 per cent was in pesos and 17 per cent in dollars. At the beginning of the year dollars represented 14.5 per cent of the total.

The fresh growth in dollar deposits and their rising percentage of the total, while not yet cause for any alarm, could point to trouble for the peso. For more than two and a half years the exchange rate has remained virtually stable within the range 22.65/22.85 pesos to the dollar—before the devaluation it was 12.5 pesos to the dollar—but rising inflation is bringing it under pressure once again. However, as a matter of perspective, it must be remembered that after the devaluation some $4bn "left" the country (Mexico has no exchange controls). The central bank believes that at least half this money has now returned.

After the devaluation one of the first measures the new Government took was to restructure interest rates in order to narrow the difference between peso and dollar rates and attract more pesos.

The need further to stimulate peso deposits and close the gap became evident in the first half of the year and the Bank of Mexico found it necessary to change its decade-long policy of fixed interest rates for short-term peso deposits. Dollar rates remain unchanged.

Constant

As of August 13 last the Banco de Mexico has fixed the rates weekly for periods of 30 to 89 days, 90 to 179 days, and 180 to 359 days. Deposits which can be drawn on a special day every week or every month are now set on a monthly basis. Every Monday the Bankers' Association inserts an advertisement in the national Press for these respective rates. Longer term rates are also published in the same advertisement, but apart from a 1 per cent increase they have remained constant.

With inflation officially last year at 19 per cent and little or no improvement expected this year, deposits over a year (two-year deposits are currently paying 17 per cent a year) are still negative. As regards the shorter term interest rates, there has been a notable increase and they are less negative. For example, when the new policy was introduced the rate for 30 to 89 days was just over 12 per cent; in December it was over 16 per cent.

The central bank says that it is now taking into account "the objectives of the financial authorities" in establishing the weekly rates. These objectives have not been clearly spelt out, but they are connected with efforts to make more credit available for businesses to expand; to minimise any "dollarisation" process and to diminish the negative aspect of interest rates so as to encourage savings. At the same time the change in peso interest rates has pushed up the cost of borrowing internally.

The "dollarisation" phenomenon is also explained to some extent by the increasing number of private companies which are borrowing abroad either because they cannot obtain enough finance in pesos—or if they can, consider it too expensive.

The central bank, in trying to control inflation by curtailing the rapid increase in the money supply—running at around 36 per cent on an annual basis during the first months of last year compared to about 32 per cent at the end of last year—has resorted to withdrawing more pesos from the system—to the obvious annoyance of bankers.

But in a country where there are no exchange controls and where in any case the 2,000 mile frontier with the U.S. makes the introduction of any exchange control virtually impossible, this policy is having little effect. Large companies are simply borrowing abroad. At the same time Mexico's banks are showing an increased presence abroad. Banamex and Comerex opened branches in London last year and Comerex opened one in Los Angeles. As in 1976, some companies are running the risk of being too heavily committed in dollar borrowings should the peso be devalued.

Not happy

Bankers were obviously not happy when the Bank of Mexico announced in December that the peso reserve requirement would gradually rise by June from 37.5 per cent to 40.9 per cent. At the same time the central bank announced that it would start returning the 15bn peso withdrawn from the system at the end of 1978.

The effect, say bankers, will be that the Government will get back the 15bn pesos and a further 10bn pesos. They argue that the credit restrictions are not anti-inflationary but simply a device to enable the Government to finance its growing budget deficit.

"Not until I am told the combination number of the vault in the Bank of Mexico where that money is being kept will I believe that the measure is anti-inflationary," commented cynically the head of one of Mexico's main banks.

The budget deficit is officially forecast to be 181.8bn pesos ($8bn) this year. Banking sources say that if all the new financing which the Government needs is taken into account, including the money to run Mexico City, then the deficit is more like 225bn pesos ($9.9bn).

The deficit is increasing by leaps and bounds as the Government pushes ahead with expansion of the public sector, particularly the oil, steel and electricity sectors, all capital-intensive.

Not surprisingly in a country with the social contrasts of Mexico, the problem is political. On the one hand the private sector believes that the way to fight inflation is to introduce drastic cuts in public spending and let the private sector have a bigger cut of credit; on the other the Government believes that increasing public spending plays a vital part in maintaining political stability.

At last year's annual banking convention in Acapulco there were strong speeches from Sr. David Ibarra, the Finance Minister, and Sr. Gustavo Romero Kolbeck, Governor of the Bank of Mexico, urging banks to think less of profits and more about the country's social problems, particularly in making loans to the depressed agricultural sector The bankers promised to take action. But their promises need monitoring.

W.D.C.

ENERGY REVIEW: UK OIL

BY RAY DAFTER, Energy Editor

Britain follows the OPEC lead

THE BRITISH Government has shown it is not averse to basing its fundamental North Sea oil policies on those of the Organisation of Petroleum Exporting Countries. The fact that the Government's school colours have changed from red to blue apparently has made little difference.

Hence we see UK oil about to be sold at the latest world market prices—around $30 a barrel for high grade crude—set by the leading African members of OPEC. The exact UK reference price has still to be announced, although it will be backdated to January 1 in any case. The problem confronting North Sea producers has been the assessment of true market prices.

British National Oil Corporation, with the encouragement of the Government, has been pressing for a North Sea reference of around $29.75 to maintain differentials with Nigeria, now reportedly asking $30 a barrel. Such a UK price might be considered "moderate" in the current worldwide context; it would certainly not prompt a further leapfrogging of prices. As such it would be welcomed by those companies which are mainly interested in buying and refining UK crude oil—a number of them North Sea oil producers in their own right.

On the other hand, North Sea oil companies with limited or no refinery interests, may well be looking to push UK prices to their highest sustainable point. In this context they are arguing that British oil should be priced above $30 a barrel in view of the higher levels reported for Algerian oil ($33 for very light crude) and for Libyan oil ($34.72 for Zueitina 41 degrees API grade).

Mr. David Howell, the Energy Secretary, has refuted the criticisms voiced by some Common Market countries about Britain's pricing policies. The manner in which he challenged the French and German calls for lower prices was reminiscent of the way that the former Energy Secretary, Mr. Anthony Wedgwood Benn, used to do battle in Brussels. Mr. Howell has argued that if the UK provided cheap oil to its European partners — as some would wish—it would merely be providing the means for traders and oil companies to make profits at Britain's expense. For some of the cheap oil would almost certainly leak on to the higher priced world market.

'Privatisation'

Like OPEC members (and Mr. Benn) Mr. Howell also recognises the importance of having some form of state oil corporation, although ideas now being considered in Westminster should result in important changes for British National Oil Corporation. A statement about the Corporation's new structure is expected to be made within the next few weeks.

At the moment it seems that the oil exploration and production wing of BNOC will be turned into a British Petroleum-type enterprise with both government and private funding. How this so-called "privatisation" will work is still unclear.

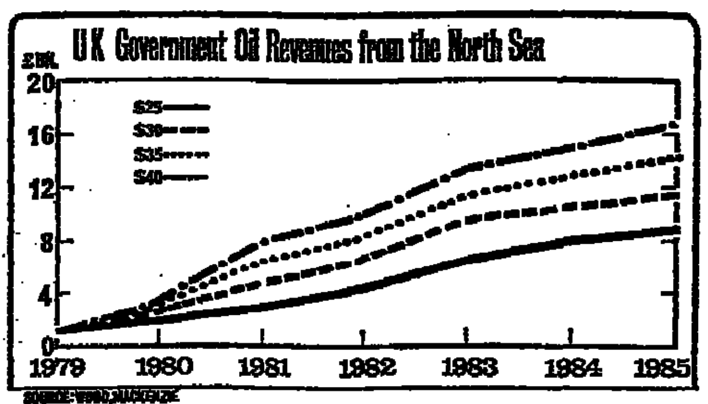
Mr. Howell and his advisers have looked closely at the idea of issuing, without charge, interest-carrying bonds to all electors. This may smack of electioneering, but those who have studied the scheme say that the Registers of Electors would provide the most convenient, comprehensive and up-to-date lists of would-be beneficiaries.

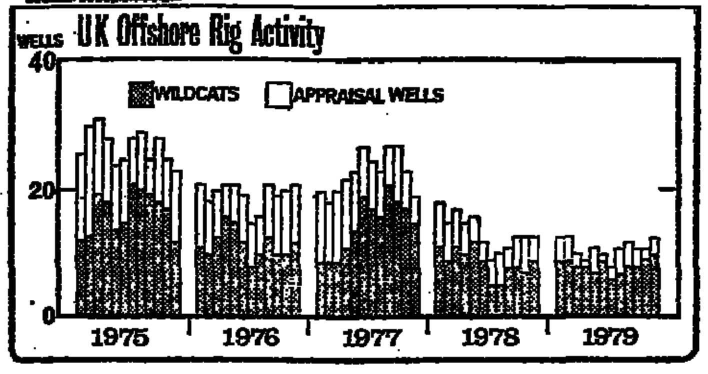
The Energy Secretary is known to be taken with the idea of handing the public a stake in the North Sea—in essence the kind of scheme advocated by my colleagues Samuel Brittan and Barry Riley. (They want oil revenues to be distributed in the form of North Sea Stock which would be transferable and realisable in the stock market.) BNOC bonds or North Sea Stock would be ways of allowing the public at large a chance to decide on how to spend at least part of the oil wealth.

However, such a give-away would not solve one of the Government's most pressing problems, the need to reduce the public sector borrowing requirement, although it is true that dividends or interest payments arising from the dispersal of BNOC or North Sea stock would probably be taxable.

So Mr. Howell will have to put his bonds idea aside and, instead, invite the public to buy shares in the corporation. As a first step this public participation may represent only a minority stake in the corporation—say around 25 per cent. Based on current estimates of BNOC's current worth (over £2bn) the sale might thus raise between £500m and £650m. As it seems to be the Government's intention to distribute a large proportion of these shares among small investors the sale might have to be split into two in order to ease the process. This would still leave the Government free to issue further shares later or, if the economic climate becomes more appropriate, perhaps free bonds for everyone.

Even so, the Government can expect a hostile reaction to its plans, both from the Opposition and from the trade union movement. The Trade Union Congress's Economic Committee said on Wednesday that if BNOC was to slip out of public control the Government would be committing an act of "betrayal of our national interest in both financial and strategic terms."





The public will not be able to take a stake in BNOC's trading arm which is involved in selling well over half of Britain's oil output. Within the next couple of years it will consolidate its position as a major force in world oil trading, handling between eight and 10 per cent of all the light, high quality oil sold internationally. This business will remain wholly state-owned, probably much closer to the Department of Energy than at present.

For another lesson Mr. Howell has learned from OPEC—albeit one which he considers to be unsavoury and possibly dangerous—is that in the coming years oil will be traded more and more on a government-to-government basis. The multinational oil companies, which have dominated the world oil market in the past, are finding it increasingly difficult to gain direct access to oil.

So British Oil Trading, or whatever it is called, will act as the Government agency: selling North Sea oil on the open market—keeping Common Market—particularly British—refineries supplied with oil whenever possible; doing deals with state corporations; and perhaps directing supplies to certain overseas customers for commercial, political or diplomatic reasons. When Britain finds itself unable to sustain its position of being net energy self-sufficient, BOT will be on hand to act more as a buyer in state-to-state deals.

When Britain will need to be a net oil importer again is unclear. It could be in the late 1980s (becoming increasingly unlikely), the 1990s (the current thinking within the Energy Department) or even around the turn of the millennium (considered possible by some oil industry analysts).

Much will depend on the Government's depletion policies which are now being formulated and should be announced by early summer. Again the UK is expected to follow the OPEC trend: one of husbanded resources. Mr. Howell is looking for controls that will keep the UK energy self-sufficient at least into the 1990s. This will be achieved partly by flattening the hump in the North Sea oil production profile (in other words, restricting the amount of net exports during the period of peak output) but also by filling the trough with new oil — perhaps from small, remote or difficult-to-produce fields — at a time when the offshore industry might be struggling to keep up with UK demand.

How these controls will be applied is also far from clear. They could mark a significant departure from the pragmatic depletion policies introduced in December 1974 and still in existence. They can be summarised as follows:

- No delays to be imposed on the development of finds made up to the end of 1975;
- No cuts to be imposed on the production from such discoveries until 1982 or four years from the start of production, whichever is the later;
- No cuts to be imposed on the production from post-1975 finds under the first four rounds of offshore licences until 150 per cent of the investment in the field has been recovered:
- Any later use of powers to have full regard to the technical and commercial aspects of the fields in question. This would generally limit any cuts to 20 per cent of output, at most;
- The needs of the offshore supply industry for a continuing and stable market to be taken into account.

The reasoning behind these policies, dubbed the Varley Guidelines after the then Energy Secretary, Mr. Eric Varley, is plain. They were designed to ensure that North Sea production built up as rapidly as possible through the 1970s although with some safeguards to prevent "overheating" in the later years.

Up to now the various Energy Secretaries have had no cause to apply the controls. Britain is still not producing as much oil as it consumes although self-sufficiency was achieved temporarily one month last summer, thanks more to low demand than high production. The state of sustained self-sufficiency should be reached some time this summer. As it happens this meets Mr. Varley's original target of self-sufficiency by 1980: a commendable achievement considering the delays to so many energy projects around the world—an achievement, however, which needs to be put into context. Mr. Varley defined self-sufficiency in oil as requiring production of about 140m tonnes annually. It now turns out that due to lower economic activity and energy conservation, Britain's oil needs may not reach even 100m tonnes this year. The reduced rate for the growth of oil consumption has been matched by delays in the development of offshore fields.

Available powers

Mr. Howell already has a number of powers which he can exercise in the cause of conservation. To slow down output in the middle to late 1980s, he can:

- Continue to move cautiously with his exploration programme. There has already been industry criticism that the latest round of proposed licences is too small.
- Crack down even harder on companies flaring and wasting gas which is produced in association with oil. This would have the effect of reducing oil output—a step already taken in Shell/Esso's Brent Field.
- Reassess field development plans as they progress. Under the system of "staged consents" Mr. Howell can ask companies to alter a field's production profile at various specified points in a development programme.
- Delay development consent and reduce production levels in line with the Varley Guidelines, as set out in the Petroleum and Submarine Pipelines Act of 1975.

The extent to which the Energy Secretary exercises these, and possible new controls, will depend on economic and strategic considerations. Early depletion would bring substantial benefits more quickly to the country's balance of payments. But it might also make sterling even stronger and thus make life even tougher for Britain's exporters. Slower depletion would prolong the economic benefits into the 1990s when oil could well be even more expensive in real terms. However, no one can say with certainty how oil prices will move or how much energy will be required by the UK and the world at large in 10 or 20 years' time.

In view of the depletion controls which already exist, it may be more important for the Government to devise ways of encouraging companies to exploit hard-to-get oil reserves and smaller fields in the 1990s. The positive aspect of depletion needs to be tackled.

Whatever the answers, the present Government seems as determined as the last to set the pace of its own oil development programme and to fix prices at the worldwide ruling levels. In these, and in other respects, the UK has learned a great deal from OPEC.

Letters to the Editor

Fair trade in textiles

From the President, Knitting Industries' Federation

Sir,—Fair trade could be defined as goods produced with rough equality in wages and social charges and no overt or covert subsidies. Interest charges and exchange rates would also need to be taken into consideration.

It would follow, therefore, that restrictions against countries whose goods were lower in cost than the definition would not be protectionist and would be justifiable. Restrictions on countries whose goods were the same or higher in cost than the definition would be protectionist and unjustified. The onus of proof to be placed on the exporting country. On this basis I am absolutely against protectionism and in favour of fair trade.

Our industry is based on piece rates with excellent productivity—there is no proof to my knowledge that any other country is superior to us in this respect. Even if we were superior to every other country we would still be unable to compete on price with countries paying 10 per cent of our wages with no guaranteed weeks, holiday pay or social charges of any kind. Whatever is said about style, quality and fashion, price is still the most important part of the equation.

When the multi fibre arrangement is renegotiated we cannot accept that countries who do not qualify under the definition of fair trade should get an increase in quotas when a recession is taking place in the importing country—this will be the position of this country in 1980 — where the exporting countries will be getting an average increase of 6 per cent. On a lower market, it will be home manufacturers who will stand the lost sales, effectively giving a much higher increase than 6 per cent to the exporting countries.

It is important to remember that most consumers are also producers—cheap imports will not be much help to them if the end result is to put them out of work. When one is unemployed cheap imports come expensive. If we finish by importing their poverty as well as their products, the future for this country is indeed bleak. I trust the retailers will pay due attention to the above remarks for if imports continue to grow and unemployment with them, they are destroying the buying power of their own customers. As for long production runs to lower costs, we entirely agree. Unfortunately many customers are cutting the length of run and are demanding more variety which is consequently pushing prices higher.

The EEC Commissioners take the view that the drift to textiles in the emerging countries is a fact and is unlikely to be reversed. This will continue to be a fact while the EEC countries continue to give way—it will stop if limits are placed on the total percentage of imports allowed into the EEC and which are inviolable.

Where will approximately 12 per cent of the working population of this country get jobs with unemployment rising throughout Europe? Of course we must help the emerging countries—but not at the cost of putting our own companies out of business or our employees out of jobs.

Our Government's first responsibility is to British companies and their employees, and only after that to the EEC and finally to the emerging countries. It sometimes appears that the EEC's responsibilities are in reverse order. The emerging countries do not enter textiles only because it is considered low technology. They enter it because it supplies the greatest number of jobs for the lowest capital outlay—a point this Government should keep firmly in mind when it examines the unemployment figures in the coming months. It is only labour intensive industries such as textiles that can possibly supply the number of jobs required.

Many industries are now being threatened by cheap imports—there is no doubt that whatever industry the emerging countries choose to enter they will destroy it as long as capital and expertise are supplied due to their labour costs.

I believe in due course restrictions will need to be applied, to most industries within the EEC if unemployment is to be kept within bounds.

I agree with the Government's view that inefficient industries do not deserve support—this, however, is not the case with textiles. Further, we do not constantly approach them with our begging bowls at the ready pleading for public funds. Is it too much to ask for strong, determined support to ensure a viable long-term market for our products, a long-term future for our industry, our companies and our employees' jobs?

J. A. Wheatley,
Elite Hosiery Company.
Hawley Road,
Hinckley, Leicester.

Engineering our future

From the Editor, Design Engineering

Sir,—It is surprising to find that in the 80 recommendations of the Finniston Report there is only one mention of the word "Design." True, Finniston pays tribute to Feilden *et al* for past efforts to promote sound design, but one looked in vain for a recommendation to strengthen the design/production interface which is one of the real weaknesses of UK design engineering.

There might also have been a recommendation to give additional financial resources to the excellent design advisory service of the Design Council which is of such great help at so little cost to the smaller engineering firms in the UK.

C. Robbie Robinson.
54, Chandos Ave.,
Whetstone, N20.

It's not cricket

From Mr. B. Roberts

Sir,—Can something be done about the apparently inexcusable inefficiency of the Australian market, especially now that controls have been ended and the investor can more easily take an interest in Australian shares? I gather that the following experience is not untypical.

On June 15 last my brokers bought for me 500 Peko-Wallsend shares, and I paid for them in the usual way on the following Account Day. It took them until November to obtain delivery, and I have not yet had the share certificate.

The shares were cum the subsequent one-for-five rights issue and the dividend (paid on October 26), both of which my brokers promptly claimed for me. I received the dividend on January 5 but my brokers have not yet obtained delivery of all the rights issue shares. Lord knows when I shall get the certificate for them: as I am well into my 70s, that may well be a problem to be left to my executors.

This is surely a quite unacceptable state of affairs.

Brian R. Roberts.
Old Foxhunt Manor,
Waldron,
Heathfield, Sussex.

Monetary policy

From the Sub Dean, City University Business School

Sir,—A growing number of countries, including Britain, appear to be committed to the use of monetary policy as the principal weapon in the fight against inflation. Samuel Brittan, (Dec. 13) advocated the gradual reduction of the money supply by one percentage point each year. While not opposed to the basic analysis involved in his suggestion, I feel that the possible outcome of such policies should be carefully examined before their adoption in present circumstances.

Monetary policies have, in the past, appeared to take two or three years to have an impact on inflation. Thus, attempts to slow monetary growth now are not likely to begin to take effect until 1981. In contrast, changes in the "real" money supply (changes in money less changes in prices) have a speedier effect on economic growth. Lower rates of monetary growth when inflation is rising will sharply cut growth of the real money supply, with an impact on output in 1980/1981. If this is so, what will be the effect of a policy (à la Brittan) of reducing monetary growth in the industrial countries from its 1979 rate of around 9 per cent by one percentage point a year until 1984?

A simple monetary model for the industrial countries of the sort outlined above suggests that their rate of inflation, now around 8 per cent, will continue to rise to nearly 10 per cent in 1981 (because of monetary expansion already undertaken) and then begin to fall slowly, reaching about 5 per cent in 1984. Meanwhile, the rate of growth of GDP will fall to below 2 per cent in 1980 (below 1 per cent if the impact of the recent oil price rises are allowed for), below 1 per cent in 1981 and 1982 and will probably still be below 2 per cent in 1984, without allowing for oil price rises which may have taken place. In contrast, if the rate of monetary expansion falls to 8 per cent in 1980 and remains at that level until 1984, rates of inflation will differ little from those under the more stringent policy until 1984, while the cumulative rate of economic growth from the end of 1970 to 1984 is likely to be about 11½ per cent compared with 6½ per cent under the alternative policy. Over the whole period, the industrial countries might gain about 2 percentage points less cumulative inflation at the expense of 5 percentage points less GDP.

While such figures must be regarded as indicative only, the general picture they paint seems a very plausible one. But is it not likely that democracies, experiencing virtually stagnant output year after year, will flinch from continuing a monetary squeeze of this intensity, when faced with prospective elections? To be less gloomy, it is possible that the recession, deepened by tight money and high oil prices, will affect expectations and lead to an earlier fall in inflation than these simulations suggest. But this is only a possibility and the cost in lost output will already have largely been paid.

Although these remarks relate to the industrial countries as a whole, they apply in a very similar way to Britain. Their significance should be seriously considered by the Government.

G. Douglas Vaughan.
Lionel Denny House,
23, Goswell Road, EC1.

Index-linking crusades

From Mr. J. Souness.

Sir, — The issue of January 8 contained much of interest sandwiched, however, between the front and the back page each containing an item on the same unpalatable theme, viz, index linking.

We are told on the front page that "it is considered impossible to end inflation-proofing in the public service," and on the back page we find further space allocated to David Wilkie's crusade in favour of index linking of Government debt. It would be grim irony indeed if two successive Conservative Prime Ministers were to go down in history as having each made the same mistake of making it easier for certain power centres to live with inflation.

Perhaps someone could tell me how to mount a crusade in support of the theme that inflation will only be cured finally when enough people actually suffer from it.

J. M. Souness.
10, George Street, Edinburgh.

Facts of life

From Mr. S. Penwill

Sir,—While what much of what Mr. N. S. Brown writes (January 4) is obvious, i.e., inefficient businesses are capable of greater improvement than efficient ones, he makes a number of assumptions which he does not, and, I would suggest, cannot logically justify.

He suggests that everyone is entitled to a pay rise in line with inflation whether such rise is earned or not, but does not say how that rise is to be financed other than by more inflation. He assumes that no one's standard of living should fall whatever the circumstances. On what premise does Mr. Brown base his assumption that he should be exempt from the facts of life?

If Mr. Brown were working for a private organisation which, because of costs could not compete profitably, he would soon find himself without employment and pay rises would become irrelevant. It is only because the general body of taxpayers have had to meet the losses of the nationalised steel industry for years that he has had a job at all.

I am sure that he would be greatly annoyed if it were suggested that he and his comrades had been living on enforced charity for years. But isn't that what has happened indirectly?

He should be aware that governments are elected to govern the country, not to manage industry. That is the function of managements in conjunction with labour.

What does he suggest that the Government should do? Should it continue to run the steel industry at a loss in order to provide the industrial user with a cheap source of supply in order that the user should remain competitive in world markets, when possibly that user could become even more competitive by buying imported steel?

The need to live within one's earnings is one of the hard facts of life which Mr. Brown does not seem to recognise. It does not appear to occur to him that possibly we have been enjoying a standard of living which has not been earned for many years.

S. W. Penwill.
158, Fenchurch Street, EC3.

Gainfully employed

From the Treasurer, Adur District Council

Sir,—I refer to the letter from the chairman of Blakeney Properties of January 3.

As is usual with this type of horror story, the facts are unsubstantiated. In my experience the overmanning described is highly improbable and—even those most sceptical of public service efficiency must surely accept—could not be typical.

In any large industry, examples of inefficiency will emerge from time to time. In the private sector the consumer has no rights of inquiry whatsoever. It would be folly to further impede efficiency by giving public right of access to the personnel and detailed administration records of the company involved in order to remedy this. So it is with local government and the short reply to your correspondent is that the right of inspection referred to does not exist.

I submit though that this is neither cause for despair or a letter to the Financial Times—for two reasons: substantial rights of inspection do exist in respect of large areas of local government activity; and local government is, for the present, democratic and quite sensitive to genuine complaint or inquiry especially at member level.

Some complainants nonetheless claim to be denied satisfaction. I believe that among these there are some who may be afraid that the facts established by the exercise of rights of inspection or other proper inquiry might spoil the peculiar pleasure afforded by their prejudice. They might be aggrieved were their alleged enormities proved to be mythical—far better that their supporting data be just insufficient to even pursue an inquiry.

Mr. Murfitt neatly ventilates his criticism without risking either satisfaction or disappointment.

M. Reay.
Pond Road,
Shoreham-by-Sea, West Sussex.

Today's Events

GENERAL

UK: National Union of Teachers' two-day national education conference opens.

General and Municipal Workers' Union water workers' delegate conference on pay offer.

Anti-Nuclear Campaign pickets Central Electricity Generating Board meeting at the Board's offices, Newgate Street, EC4.

Open day at Goldsmith's Hall, Foster Lane, EC2 (tickets from St. Paul's information centre, EC4).

Overseas: Future trading relations between Asian and Pacific countries will be discussed at a three-day conference, on Bali, Indonesia.

OFFICIAL STATISTICS

Personal income, expenditure and saving and company profits (third quarter). Housing starts and completions (November). Building societies' monthly figures (December).

COMPANY MEETINGS

Carr's Milling, Crest Motel, Kingstown, Carlisle, 11.30. Comet, King Charles House, George Street, Hull, 12. North British Properties, Royal Turks Head Hotel, Grey Street, Newcastle-upon-Tyne, 11.30.

COMPANY RESULTS

Final dividends: The Grange Trust. Robert H. Lowe. Sidlaw Industries. Interim dividends: Associated Newspapers. Daily Mail and General Trust. Heron Motor Group.

LUNCHTIME MUSIC, London

Organ recital by Professor Gordon Phillips, All Hallow's-by-the Tower, Byward Street, EC3, 12.15 and 1.15 pm.

Song recital by Gayle Hennick (soprano), St. Martin-Within-Ludgate, EC4, 1.15 pm.

Recorded music of Saint-Saens, Holy Sepulchre, Holborn Viaduct, EC1.

English China Clays profits rise to £33m

PROFITS BEFORE tax of English China Clays, believed to be the world's largest producer and exporter of china clay, rose from £24.48m to £33.12m in the year ended September 30, 1979. External sales increased from £234.34m to £280.79m.

The result follows the directors' expectations at midway of a satisfactory out-turn for the year—first-half profits had risen from £8.53m to £10.43m.

Stated earnings per share before extraordinary credits are 14.89p against 10.66p and the final dividend is 2.8825p lifting the total from 3.9684p to 5p.

Profit for the year is after £1.05m for terminal losses, exceptional items and provisions in the building division, £1.19m remuneration for an earlier year frustrated by Government pay policies and £1.59m for increased payments under the group's profit-sharing scheme.

A profit analysis shows clay contributing £23.2m (£14.6m), quarries £7.06m (£6.49m), build-ing £196,000 (£1.13m) and transport and services £2.66m (£2.26m).

Tax takes £9.09m (£7.29m) leaving net profits at £24.03m against £17.19m. An extra-ordinary credit of £1.57m relates to stock enhancement relief in 1973 and 1974.

See Lex

HIGHLIGHTS

English China Clays has announced a profits jump in the wake of strong demand for clay and a series of price increases. Despite the strength of sterling Sotheby's sales and pre-tax profits are up by over 15 per cent and the current year has started well. The long struggle at FNFC has entered a slightly better phase and on the bid front Highland Distilleries has unveiled its defence against the Hiram-Walker bid. Elsewhere, Lex looks at the better climate in the stock market which led yesterday to the buying up of the remaining portion of the long tap. On the inside pages there are some poor figures from John Waddington. Comments are also made on Pleasurama, Hickson and Welch and Ratners and there is news of the London listing by U.S. group Black and Decker.

J. E. Sanger owed £400,000

J. E. Sanger, the meat company, says it is owed £400,000 by one of its customers, Smithfield trader Gilmore and Partners, which is now in the liquidator's hands.

This figure could be reduced, however, as a result of negotiations with third parties and by any distribution from the liquidator, the company added.

Sanger says its principal bankers had reconfirmed their support and the board is satisfied that the liquidity available is sufficient to absorb this loss.

Pleasurama tops £3.2m helped by associates

TAXABLE PROFITS of Pleasurama, the entertainment and amusement group, advanced from £1.98m to £3.22m in the year to September 30, 1979, helped by a jump in a share of associate companies' profits from £272,000 to £956,000.

The net total dividend is doubled from 2.4p to 4.825p, with a final of 4p.

At midway, profits were well ahead at £847,000 (£402,000). The directors said that, because of the group's seasonal activities, first-half results were not necessarily indicative of the full-year outcome.

Even if trading continued at the current good level, shareholders should not expect to see the same percentage increase in full-year profits as was shown in the half-year figures they added.

Full-year turnover improved from £8.58m to £11.72m. Tax took £1.8m, against £1.07m. Stated earnings per 5p share rose from 14p to 21.5p.

After minorities of £24,000 (£30,000) and extraordinary income last time of £561,000 available profit was down at £1.39m (£1.45m).

● comment

Pleasurama has turned in some impressive results. After more than doubled profits at the half-way stage, the full year increase comes to 62 per cent. A significant portion of the improvement can be attributed to the first 12-month contribution from the group's 25 per cent stake in the Ritz casino. This is fed in as an associate company along with a 25 per cent contribution from the Casanova casino. On the main side of the business (provincial casinos and dance halls) there has been a 32 per cent rise in trading profits, indicating solid organic growth. The "dancing" division is the most promising for expansion and Pleasurama hopes to open more discotheques in future. In the current year, the absence of the Ladbroke casinos should help business at the Ritz and Casanova. The final dividend has been boosted by 142 per cent and the yield now stands at 5 per cent at 143p after yesterday's 6p rise. The p/e on stated earnings comes to 6.5.

Waddington in loss midway

A LOSS of £418,000 for the 28 weeks ended October 14, 1979, is reported by John Waddington, the games, puzzles and printing group, compared with a £1.65m profit in the same period last year.

The loss has been brought about by a £2.9m (£194,000) loss at Waddington's Videomaster but the directors believe there will be no further losses in this area. At the end of 1978-79, the Videomaster business lost £1.08m.

The directors are raising the net interim dividend from 5p to 5.22p—the previous total was 11.68p from pre-tax profits of £1.68m.

Sales for the 28 weeks rose from £25m to £30.25m. The directors say that while there was a general improvement in most parts of the group, results have been marred by the Videomaster performance and the necessity to make provisions in the first half to ensure the absence of further losses.

The packaging and printing group is doing well in spite of difficult conditions and good progress is being made by the plastic container business.

Christmas sales of boxed games, playing cards and greetings cards were considerably up on last year and the games business in the U.S. is doing very well, the directors add.

● comment

It was bad enough that Videomaster missed its first Christmas season but Waddington's electronic games subsidiary has almost suspended belief by missing a second vital selling period. The upshot is a £2.9m loss in Videomaster which more than wipes out the 35 per cent 28 week improvement in the other divisions. The hope now must be that the haemorrhage has been completely staunched. The bulk of Videomaster's deficit clearly relates to stock write-offs which, if computed correctly, assumes that a very much smaller operation re-starts with a clean slate. That, in turn, indicates that the group as a whole is operating on an annual pre-tax level of some £3.5m which would provide more than adequate cover for a maintained total gross dividend. Heartened by the interim payment declaration and the upturn in boxed games and playing and greeting cards, the shares climbed 11p to 128p yesterday for a fully taxed p/e (ex Videomaster) of 4.6 and an historic yield of 9.5 per cent. That may provide the basis for further share price recovery but this must be tempered by the knowledge that the track record is erratic and the problems of procuring specially designed components over long supply lines in a tough and fast evolving electronic games market have been made only too obvious. The contraction of Videomaster is the lynchpin of the mid-term rating.

FNFC recovers strongly to end with record £22m

A SHARP second half improvement at First National Finance Corporation pushed pre-tax profits from £17.86m to £21.63m for the year to October 31, 1979, after £3.67m against £6.07m at the interim stage.

Profits are now above the previous record of £18.4m in 1973, after which the group plunged into heavy losses for four years, with a low of £53.2m in 1975.

The 1979 full-year profit was after charging interest on income, deferred and subordinated loans to talling £18.99m. Tax takes £1.25m (£0.15m), leaving a net surplus of £20.38m (£17.72m). Earnings per 10p share were 16.5p (14.4p).

The pre-tax profits include £9.27m (£9.51m) from the consumer credit division. The after-tax profit has reduced the net deficiency for shareholders from £58.4m to £38m.

The directors report that it is not possible at this stage to make any reliable forecast as to the outcome for the current year.

"The rise in residential house and flat prices now appears to have levelled out and the present high interest rates are proving to be a considerable burden, particularly because of the shortfall between the group's earnings assets and total borrowings."

The directors report that unpaid interest on the subordinated loans now amounts to £8.28m. They consider it prudent in the lending and property division, because of the present high interest rates, to take into account an additional future cost of £1.2m in arriving at the net release in the year of principal provisions and suspended interest of £8.28m.

The group has continued its building out operations, some of which are now conducted through wholly-owned subsidiaries. It is also dealing with some blocks of flats which were previously under contracts for sale to third parties. Contracts have been terminated and the properties have reverted to the group.

These activities and the consequent reappraisal of the loans relating to them have produced a contribution of £10.7m to the profit for the year.

Taking into account deferred and sub-ordinated loans the solvency margin now amounts to £33.5m. Cash generated enabled the group to reduce its liabilities by £19.9m.

"As the property portfolio is realised the opportunities for achieving a high level of profitability diminish but the company continues to endeavour to maximise profits and cash from the remaining properties," the directors state.

See Lex

DIVIDENDS ANNOUNCED

		Date	Corre-	Total	Total
	Current payment	of payment	sponding div.	for year	last year
K. O. Boardman ...int.	0.1	Feb. 20	0.4	—	0.5
Centreway Trust ...int.	2	Apr. 8	0.76	—	8‡
English China Clays ...	2.88	Apr. 8	2.04	5	3.97
Hickson and Welch ...	5	Feb. 18	2.53	7.5	3.86
Pleasurama ...	4	—	1.65	4.83	2.4
Ratners (Jewellers) int.	0.67	Mar. 7	0.56*	—	1.84*
Sotheby Parke ...	8	Feb. 14	6	11.5	9
Symonds Eng'g ...int.	0.22	—	0.21*	—	0.77*
Waddington ...int.	5.22	Feb. 27	5	—	11.68

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ For 9 months.

Sotheby finishes on £8.23m

DESPITE LOWER second-half profits, pre-tax earnings of Sotheby Parke Bernet Group, fine art auctioneer, increased from £7.02m to £8.23m in the year to August 31, 1979. Net auction sales improved from £161.1m to £186.4m.

At midway, the surplus was well ahead at £4.32m (£2.44m), but the directors warned that they expected the rate of increase in full year earnings to be considerably lower than in the first half.

Sales during the first four months of the current year advanced from £71.57m to £94.34m. The directors say that, despite the encouraging start, they are aware of the company's vulnerability to inflation and the need to be wary of its effect on business.

However, they remain optimistic about the rest of the year.

Gross revenue for the year rose from £31.48m to £38.34m. Tax took £3.67m, against £3.37m.

The net total dividend is increased from 9p to 11.5p, with a final of 8p. Stated earnings per share are up from 33.3p to 39.4p.

Mr. Graham D. Llewellyn, a deputy chairman of Sotheby Parke Bernet and Co., London, and Mr. John L. Marion, chairman and president of Sotheby Parke Bernet Inc., New York, have been appointed deputy chairmen of the group.

Mr. Julian Thompson, a director of Sotheby Parke Bernet and Co., has been appointed a director of the group.

See Lex

RUO ESTATES DELAYS REPORT

As Ruo Estates Holdings has to consolidate overseas accounts, it was not possible to produce the annual report and accounts for the year to June 30, 1979, by December 31, 1979. It is anticipated that announcement of preliminary profits will be made at the end of January and that the annual report will be posted shortly afterwards.

Ratners 28% ahead and optimistic for full-time

DESPITE SOME prolonged fall-off in retail trading after the June Budget, when VAT rate was raised, pre-tax profits of Ratners (Jewellers) increased by 28 per cent from £534,691 to £684,309 for the half-year to October 6, 1979, on retail sales 17 per cent higher at £9.1m.

Mr. L. M. Ratner, the chairman, points out that the greater proportion of the year's profits will again arise in the second half and adds that, while it is too early to make a forecast, the directors look forward to the full year outcome with confidence.

Since the end of the first-half period, sales have maintained their gains and Mr. Ratner says the third quarter was considerably assisted by a good Christmas trade.

For the year ended April 6, 1979, taxable profits jumped by some £1m to £2.56m, on sales of £19.3m (£15.8m).

The net interim dividend is effectively stepped up from 0.5583p to 0.67p per 10p share, costing £198,000 (£133,838 after waivers of £31,987)—last year's total was an equivalent 1.84167p.

Profits, before tax, on the sale of property were down from £233,340 to £71,762 for the half-year.

The company's progress continues with vey successful new branches opened during and since the period under review.

The chairman says modernisation to existing branches have been in progress at an unprecedented rate during the whole of 1979 and this will provide in the 1980s a springboard for greater achievement.

In the directors' opinion, stock appreciation relief, which will not be determined until the end of the current year, is likely to reduce tax charge below 52 per cent—based on a 52 per cent rate, tax on half-yearly trading profits would amount to £355,841 (£278,039).

Corporation tax charge on sale of property profits was £21,529 (£70,752).

● comment

Interim figures from Ratners have shown a steady decline in margins over the past few years and the most impressive feature of yesterday's result was the reversal of this trend—though the 1979 margin of 7½ per cent is still a far cry from the 12½ per cent recorded five years before. This is particularly encouraging as the rise in the gold price apparently played little part in the higher return. Most price increases came through in September and October, slightly before the gold explosion and towards the end of the reporting period. There were relatively few new stores opened in the first half (around 80 per cent of the increased turnover came from established outlets) so it is clear that Ratners is achieving a better volume per store. This should be accentuated in the second half, both because of a busy Christmas period and the group's seemingly paradoxical decision to stage its first January sale. The great imponderable is the gold price but the company is well enough stocked to cut down its purchases and moderate shop prices if necessary. Disposal profits will be lower this year as the market is less favourable to sale and lease-back operations but there will still be room to increase the dividend by more than yesterday's 20 per cent. Assuming the same rise in the final, however, the yield is 5.5 per cent, while the share price of 58p produces a p/e of 6.3 on profits of £3¼m taxed at 20 per cent and boosted by £100,000 of exceptional profits.

Sharply higher interest holds Hickson and Welch at £8.1m

MARGINALLY LOWER pre-tax profits of £8.06m for the year to September 30, 1979, compared with £8.12m last time, are eported by Hickson and Welch (Holdings). The surplus was struck after sharply higher interest of £1.02m, against £0.4m.

Turnover of the chemicals and timber products group improved from £71.45m to £85.53m.

At midway, profits edged ahead to £3.81m (£3.74m), and the directors expected full-year results to show an improvement over last time, provided sales levels were maintained.

After a reduced tax charge for the year of £437,000 (£821,000), net profit came through ahead from £7.3m to £7.63m. Stated earnings per 50p share were 1p higher at 39p. The net total dividend is stepped up from 3.8624p to 7.5p, with a 5p final, and absorbs £1.45m (£747,000).

The retained balance emerged lower at £5.57m £6.19m), after exchange losses on overseas subsidiaries' net assets of £600,000 (£356,000).

● comment

These are dull days at Hickson and Welch though the market may disagree. After yesterday's 4p rise to 180p, the historic p/e comes out at 4.49 on stated earnings. Last year, H & W held the tax charge down around 5 per cent, thanks to now markedly diminished capital expenditure and stock relief. This year, the tax bite will be bigger. Outside expectations are for profits around the same level, which on a fully taxed basis would knock the projected p/e to almost nine. With the historic yield at a modest 6 per cent, H & W has the look of a growth stock which has lost its growth. It is now of a size where it can no longer buck sector trends. Prices of its principal feedstocks doubled during last year, fuel costs have risen, the strong pound has hit hard a company which makes more than half its sales overseas. Little easing can be expected in these areas this year, and analysts see an industry recession not bottoming out until the third quarter. Borrowings have risen substantially this year, perhaps to around the £10m mark, but nonetheless the company is in basically good shape. Gearing is comfortably below 30 per cent, and aggressive capital expenditure has left it with efficient plant. Perhaps the market found its optimism on an 18 month view. More likely, speculative interest is far from absent.

Boardman shows improvement

PRE-TAX PROFITS of K. O. Boardman International, manufacturer and importer of clothing, for the half-year to September 30, 1979, were £126,211 against a loss of £77,734.

The turnround is attributed to closure of subsidiary Wm. Stembridge which incurred losses of £265,919 in the corresponding period last year. Stock losses were nil against £146,581. There was a surplus of £49,250 arising on the sale of Boardman House, Stockport.

After tax of £28,149 (credit £26,858) attributable profit is £98,062 (loss £47,701).

Mr. G. S. Ruia, the chairman, says in his interim report that group profit has been materially affected by the continuing high interest charges and the general trade recession.

In view of this, the Board considers it prudent to conserve liquid resources and are restricting the interim dividend to a nominal 0.1p (0.4025p)—last year's total was 0.5p from pre-tax profits of £54,000.

The difficult trading conditions and even higher interest rates are continuing, and the Board is reluctant to anticipate any substantial improvement in profits for the second half.

Turnover increased from £11.2m to £11.7m. Stated earnings per 5p share are given as 0.42p (loss 0.26p).

NEW THROGMORTON

The directors of the New Throgmorton Trust announce that tenders in total amounted to £338,654 nominal.

Under the terms of the Trust Deed and the Supplemental Instrument constituting the Capital Loan Stock, the dealing subsidiary of the company, NTT Securities may accept 20 per cent of the outstanding stock—currently £1,432,099 nominal—amounting to £286,420 nominal.

Accordingly, the dealing subsidiary has accepted 85 per cent of stock tendered to it, £287,856 nominal which at a price of 138.38p per unit will cost £398,335.

All applications will be accepted on a pro-rata basis.

ISSUE NEWS

Black & Decker shares start trading in London

The first share listing by a foreign company in London since the abolition of UK exchange controls takes place today when shares of Black and Decker Manufacturing, of the U.S., open for trading on the Stock Exchange.

Mr. Francis P. Lucier, chairman and chief executive of Black and Decker, which is the world's largest manufacturer of power tools, said the decision to seek a London listing had been finally taken only five weeks ago.

The group is actively considering listing its shares in Germany and France also—they are already quoted in Switzerland.

Black and Decker, widely known for its do-it-yourself drills and other tools, believes that its shares are widely held in Europe.

It has three manufacturing plants in the UK, where it employs some 3,600 workers, three plants in Italy, two in France, two in Germany and one in Spain.

In 1978-79, the group increased net earnings by 43 per cent to $94m or $2.25 a share on sales of $1.2bn. About 44 per cent of sales were in Europe.

Results for the first quarter of the current year, to be announced shortly, will show a continuation of the growth rate of the comparable period, said Mr. Lucier. Christmas trade in France and Germany has been "extremely good" and "reasonable" in the U.S. and the UK.

Mr. Lucier said he was happy with Wall Street forecasts of earnings in the region of $2.10 to $2.40 range for the 1980 financial year.

Laurence Prust is acting as broker to the listing in London, and both Akroyd and Smithers and Medwin and Lowy will be jobbing in the shares, which were quoted in New York this week at $23⅛ or 1,003p.

EXCHEQUER STOCK

The Bank of England announces that all tenders from the public for the 14 per cent Exchequer stock 1984 have been allotted in full at the minimum price, £96.50 per cent.

SPAIN

January 10	Price %	+ or −
Banco Bilbao	305	−1
Banco Central	290	−2
Banco Exterior	212	−2
Banco Hispano	211	−2
Banco Ind. Cat.	138	−1
Banco Madrid	175	
Banco Santander	243	−1
Banco Urquijo	182	
Banco Vizcaya	211	−2
Banco Zaragoza	205	
Dragados	100	
Espanola Zinc	56	
Fecsa	56	+1.5
Gal. Preciados	33	+2.5
Hidrola	61.5	+1.8
Iberduero	60.7	+1.7
Petroleos	115	+3
Petroliber	73	
Sniace	115	
Sogefisa	54	
Telefonica	65	
Union Elect.	62.7	+1.2

NEW LIFE BUSINESS

Upsurge in Home Service sector

BY ERIC SHORT

The Home Service life insurance companies, where business is sold by in-house field staff calling at the homes of policyholders, experienced an exceptional year for new life business in 1979.

There were two main factors, common to all these companies, that helped bring about this buoyant market. The first boost came from the Government, which in April changed the method of giving tax relief in life assurance premiums. Now the policyholder pays the premiums net of tax relief and the life company gets the tax credit from the Revenue. So agents are now selling for a net unit of premium whereas before it was a gross unit. Effectively, this means an automatic rise of 21 per cent.

This has had much more effect in the Industrial branches of these companies, where premiums are paid weekly or four weekly, and the business is based on the premium. In the ordinary branch, business is sold on the sum assured and there has not been the same level of increase. The new business figures of the other life companies dealing through insurance brokers, does not seem to have benefited by the change in tax relief.

Secondly for both branches, although the field staff of the home service companies call on a broad spectrum of households, they still tend to concentrate on wage-earners, and these have more disposable income. The number of policies in the Industrial branch being taken out has not risen, but the average premium per policy has risen considerably.

Britannic Assurance Company reported a 34.4 per cent growth in new annual premiums in the Industrial branch rising from £13.6m to £18.3m, with new sums assured 36 per cent higher at £239m, against £175m. The underlying growth in the branch was around 16 per cent.

In the Ordinary branch, total new annual premiums advanced 21.4 per cent from £3.05m to £3.71m, with single premiums slightly down at £221,000, against £246,000. New sums assured rose 11 per cent from £117m to £130m. Most of the annual premium business was straight with-profits savings schemes, the company's self-employed business at £231,000 was down on the year.

Rises

The Co-operative Insurance Society reports new annual premiums in the combined branches rising by 40 per cent in 1979 from £28.25m to £39.5m, with new sums assured passing the £1bn mark, reaching £1.05bn against £824m in 1978. The rise in pemiums in the Industrial branch was over 50 per cent, compared with nearly 30 per cent in the Ordinary branch.

New annual premiums of the London and Manchester Assurance rose by 33 per cent overall from £8.8m to £11.4m, while single premiums were 65 per cent higher at £1.9m, against £1.2m. New sums assured were virtually unchanged at £345m.

In the Home Service part of the group, total new annual premiums increased by 39 per cent from £5.7m to £7.9m. Industrial branch business advanced by 47 per cent from £3.6m to £5.3m, boosted not only by the tax relief change but also by the launch in May of a new IB contract. The premium increase in the Ordinary branch was 22 per cent from £2.1m to £2.6m.

L and M also had a very successful year in the pensions field, its Pensions Division recording new annual premiums up by 34 per cent to £1.7m and single premiums doubled to over £1m. The company's involvement in the pensions field has grown steadily over the past couple of years and has met with success. The emphasis last year was on pensions with a switch away from risk business, hence the relatively static position of the new sums assured.

In the Life Broker Division, a 13 per cent rise to £1.7m was achieved in annual premiums, with single premiums doubling to £400,000. Two new contracts designed specifically for the broker market were launched in the latter part of last year.

Refuge Assurance Company achieved a 25 per cent growth in new premiums in its Industrial Branch from £7.7m to £9.6m with new sums assured 13 per cent up at £127m. In the Ordinary branch annual premiums rose by 25 per cent from £3.06m to £3.83m and single premiums by 22 per cent from £583,000 to £710,000. New sums assured were 19 per cent higher at £109m against £92m.

New annual premiums in the Industrial Branch of the Royal London Mutual Insurance Society net of the premium relief amounted to £6.23m. The grossed up value was about £7.11m against premiums in 1978 of £5.55m—an underlying rise of [illegible] per cent. New sums assured advanced by 35 per cent from £75m to £102m.

A record

New annual premiums in the Ordinary branch advanced [illegible] per cent from £4.18m to a record £4.57m, with single premiums improving by 20 per cent from £284,000 to £341,000. New sums assured amounted to [illegible]m against £140m. The rise in business came predominantly from the success of the company's self-employed pensions contract launched towards the end of 1978. New annual premiums for this plan totalled £610,000 against £180,000 in 1978.

The company has made slight improvements to its Special Final Bonus paid on death or maturity claims in 1980. The rate, which was increased last August remains 1.80 per cent of the sum assured and attaching bonuses for each year prior to 1977. But higher maximum applicable contracts taken out in 1940 or earlier is being given by ending the scale by a year. The new maximum is 53 per cent against £61.20 per cent previously.

BANK RETURN

	Wednesday Jan. 9, 1980	Increase (+) or decrease (—) for week
BANKING DEPARTMENT	£	£
Liabilities		
Capital	14,553,000	—
Public Deposits	30,3[illegible]894	— 2,761,950
Special Deposits	849,[illegible]000	— 254,296,979
Bankers Deposits	379,[illegible]227	+ 109,952,524
Reserves & other Accounts	696,[illegible]710	— [illegible]
	1,96[illegible],831	— 147,106,406
ASSETS		
Government Securities	1,[illegible]7,524	— 97,755,000
Advances & Other Accounts	[illegible],689	— 14,072,132
Premises Equipment & Other Secs.	[illegible],755	— 35,553,625
Notes	[illegible],989	— 12,916,175
Coin	[illegible]2,364	— 29,471
	[illegible]2,831	— 147,106,406
ISSUE DEPARTMENT		
Liabilities		
Notes Issued	[illegible],000,000	— 550,000,000
In Circulation	[illegible],083,011	— 537,083,824
In Banking Department	[illegible],116,989	— 12,916,176
ASSETS		
Government Debt	11,01[illegible],100	
Other Government Securities	[illegible],51,432	— 517,696,841
Other Securities	[illegible]27,477	— 32,303,159
	[illegible]00,000	— 550,000,000

FOOD PRICE MOVEMENTS

	January 10 £	Week ago £	Month ago £
BACON†			
Danish A.1 per ton	[illegible]0	1,240	1,240
British A.1 per ton	[illegible]0	1,220	1,220
Ulster A.1 per ton	[illegible]0	1,220	1,220
BUTTER†			
NZ per 10 kg	[illegible]0/14.37	—	18.07
English per 10 kg	[illegible].47	—	
Danish salted 10 kg	[illegible]8.75	—	18.75/19.06
CHEESE‡			
English cheddar	[illegible]1,420	—	1,430/1,569
Irish cheddar		—	1,430/1,440
Danish cheddar		—	
EGGS*			
Home produced: Size 4	4.60/4.65	—	5.00/5.50
Size 2	4.90/5.00	—	5.35/5.70

	January 10 p	Week ago p	Month ago p
BEEF			
Scottish killed	65.0/68.0	—	62.0/67.0
Eire forequarters ex-KKCF	47.0/49.0	—	40.0/43.0
LAMB			
English	54.0/60.0	—	44.0/46.0
NZ PLs/PMs	52.0/53.0	—	51.0/52.0
PORK			
All weights	37.0/50.0	—	39.0/51.0
POULTRY			
Oven-ready	38.0/42.0	—	38.0/42.0

* London Egg Exchange price per 120 eggs. † Delivered. ‡ 20-kg rindless delivered, per tonne.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Associated Newspapers, Daily Mail and General Trust, Heron Motor, Oswald Robinson, Thorn Electrical Industries.

Finals: Grantrust, Ley's Foundries and Engineering, Robert H. Lowe, Sidlaw.

FUTURE DATES

Interims—	
Allied Colloids	Jan. 16
Austin (James) Steel	Jan. 23
Ellis and Everard	Jan. 28
Howard Shuttering	Jan. 14
Lynton Holdings	Jan. 15
Provincial Cities Trust	Jan. 17
Saville Gordon (J.)	Jan. 17
Scottish, English & European Textiles	Jan. 22
Smith (David S.)	Jan. 18
Steinberg	Feb. 5
Wellman Engineering	Jan. 15
Finals—	
Bootham Engineers	Jan. 22
Eurotherm International	Jan. 17
Stakis (R.) Organisation	Jan. 16

Bond Street Fabrics omits final

FOLLOWING A pre-tax loss of £38[illegible] at the halfway stage, Bond Street Fabrics has confirmed the Board's earlier fears that no significant improvement would be forthcoming in the second half. Results for the year to September 30, 1979, show a pre-tax deficit of £83,612 against real profits of £451,224 in the previous year.

No final dividend is being paid despite the Board's earlier hope that one might be possible. Last year's total was an adjusted [illegible] per 10p share.

The poor results arise from a trade slowdown, says the chairman, Mr. K. C. B. McKenzie. Difficulties in recovering cost increases and the strength of sterling were also problems which faced the Leicester manufacturer of knitted fashion fabrics.

Mr. McKenzie states that these problems have continued into the current year.

Turnover dropped from £8.43m to £8.14m. There is a tax credit of £106,166 against a debit of £230,401.

Somportex grows £0.1m at six months

A sharp increase in pre-tax profits from £129,446 to £226,265 is reported by Somportex Holdings, distributor of confectionery, groceries and delicatessen products, for the six months to October 31, 1979. Turnover, excluding VAT, reached £2.97m, compared with £2.28m.

Turnover and profits of the confectionery side have been substantially increased by the contribution from the Slush Puppie line, the directors state.

Excluding that contribution, the traditional confectionery side maintained its contribution to group profits, aided by good Christmas sales.

Easter confectionery sales are at a high level.

After tax of £117,657 (£67,312) net profits for the six months rose from £62,134 to £108,608. Earnings per 25p share are stated up from 3.87p to 15.5p.

For the last full year, taxable profits were £175,915 and a single dividend of 4.5p net was paid.

NMC Inv. improves at mid-term

Reflecting an improved contribution from its two industrial subsidiaries, N.M.C. Investments reports an increase in pre-tax profits from £102,058 to £123,400 in the half-year to September 30, 1979.

Lack of activity on the U.S. stock market resulted in fewer investment dealing opportunities, say the directors, and higher interest rates further depressed share prices.

The half-year's investment dealing profit was satisfactory, they add, but do not anticipate this source of income will reach the level achieved last year. The six months' surplus includes a profit on the sale of investments of £24,561 against £38,946.

Tax this time takes £56,196 (£34,594) and there are minorities' profits of £13,402 (£5,164).

Last year, the group returned pre-tax profits of £192,500 (£181,769) from its activities of investment and fibre-board container manufacture.

Avenue Close at £282,000

Pre-tax profits of Avenue Close, property investment and development concern, improved from £258,382 to £281,673 in the half-year to September 30, 1979, on increased turnover of £548,944, against £456,143.

The directors say the company has started a development programme, requiring additional borrowing, as outlined in last year's annual report.

With the current high interest rates, the interest charges being incurred in these facilities may have some effect on the full-year results, they add. Taxable profits for 1978-79 totalled £698,794.

The company pays only an annual dividend, and the directors expect that the 1979-80 payment will be higher than last year's 1.788p.

A professional revaluation of the company's freehold and leasehold properties has been commissioned.

Tax for the half year took £146,802, against £134,210.

BIDS AND DEALS

Highland urges rejection of Hiram Walker offer

BY JOHN MOORE

Highland Distilleries, the Scotch whisky group well known for "The Famous Grouse" brand, has issued a strongly worded letter to its shareholders urging them not to accept an £80m take-over from Hiram Walker-Gooderham and Worts of Canada.

The letter has been dispatched just over a week before the close of the Hiram Walker offer on January 18.

Mr. John Macphail, Highland's chairman, has told shareholders that "Hiram Walker's attempts to dress up the bid as being commercially beneficial to Highland is totally unconvincing."

In arguing that the bid makes no commercial sense, Mr. Macphail said "the lack-lustre performance of Ballantines, the principal Hiram Walker brand of Scotch whisky, is in stark contrast to the rapid expansion of 'The Famous Grouse' by Highland which has increased its home sales over 25 times between 1970 and 1979 while the total home trade has not even doubled in that period."

To Hiram's assertion that its own extensive marketing organisation will assist "The Famous Grouse" to realise its full potential outside the United Kingdom, Highland says that Hiram has nothing to offer in this respect. Seagrams, one of the largest drinks concerns in the world, has recently been appointed as ditributor for "The Famous Grouse" in the U.S., the largest export market.

In stressing why shareholders should not accept, Mr. Maphail says Mr. H. Clifford Hatch, Hiram's chairman, has said in the offer document that "Highland gets only 50 per cent of the benefits of its wholly owned subsidiary's sales of "The Famous Grouse" brand which it owns."

Mr. Macphail says Mr. Hatch omitted to tell shareholders that Robertson and Baxter contributes directly or indirectly 50 per cent of stock financing, of capital expenditure and of all expenses including advertising.

Moreover, through its shareholding in Robertson and Baxter, Highland is interested, directly or indirectly, in a significantly larger percentage—about 68 per cent—of the benefits of "The Famous Grouse."

He adds that 60 per cent of the increase in value of the trade names since 1971 accrues directly to Highland and that Highland makes a distilling profit supplied to the joint venture.

Mr. Macphail says Mr. Hatch seeks to make much of a possibility that further expansion might lead to Highland calling on its shareholders for more capital. "In another context Mr. Hatch claims that Hiram Walker, "unlike Highland on its own, has the resources required to develop the full potential of The Famous Grouse.

"A rights issue is only likely if the rate of growth is so fast that it cannot be self-financed or satisfactorily funded by other means."

He says Highland's borrowings at August 31, 1979, amounted to only £2.2m "which is a substantially lower proportion of capital employed than that of others in the industry and can be compared with the b ook value of stocks at the same date of £28.4m. Thus it can be seen that considerable scope exists for financing expansion on borrowed money without further recourse to shareholders."

In its offer document, Highland's letter continues, Hiram Walker states that the offer price "represents a multiple of nearly 17 times Highland's earnings for the year ending August 31, 1979." Highland stresses that Hiram has taken into account only the dividend received by Highland from Robertson and Baxter and has chosen to ignore Highland's share of that company's profits.

"Although Highland has not consolidated its share of the profits of Robertson and Baxter in its annual accounts, the commercial reality of their association is clearly not merely that of a trade investment. On a combined basis the multiple of 17 quoted above would fall to 12. No material amounts of mainstream tax have been paid for many years, and the directors are of the opinion that any calculation of a multiple of earnings which assumes a full tax charge is irrelevant," Mr. Macphail concludes.

Queens Moat £1.8m hotel sale

Queens Moat Houses has sold Hampshire Moat House, Basingstoke, to Bass, the brewers, for £1.84m cash. This total was acquired in 1977 for £537,000 under a contract to defer payment until August, 1981.

In another deal, Queens Moat has bought Heath Court, Newmarket for £525,000, which includes cost of conversion to a luxury hotel. The purchase price will be settled as to £175,000 cash and £350,000 in Queens Moat ordinary shares. Heath Court was formerly a residential complex.

These two deals will increase Queen's Moat's net assets by over £600,000 and increase available cash by over £1m. In addition, deferred liabilities will be reduced by £537,000.

RANTLODGE

Rantlodge states that 50 per cent of the company's share capital is beneficially owned by the family of Mr. Werner Rey and the balance is owned by a group of non-resident clients of a UK firm of solicitors. This group of clients are associates of Mr. Rey who is a Swiss industrialist and sole shareholder of Swiss Metal Works Selve of Thun, Switzerland.

Rantlodge is at present offering to acquire Nationwide Leisure.

STANDARD FIREWORKS

A faint ray of light was thrown yesterday on the purchase by L. Stanley, the privately-owned betting shop and leisure company, of a 21.6 per cent stake in Standard Fireworks, which is based in Huddersfield.

Stanley's chairman, Mr. Leonard Steinberg who owns the company with his brother Gerald, the managing director, said that he would be issuing a full statement next week.

This would follow a meeting next Thursday with Standard's managing director, Mr. Derrick Worthington, who said last night that he still had no idea about Stanley's intentions. Standard, whose shares stand at just over 70p, is capitalised in the market at about £1.3m.

Mr. Steinberg declined to comment on the reasons for Stanley's purchase of 360,000 Standard shares at a cost of around £250,000. Originally based in Belfast, Stanley now operates out of Liverpool.

It still runs 17 betting shops in Northern Ireland, however, with three in the Isle of Man, and around a hundred in the North of England. Stanley also has a casino in Stockport and two amusement arcades in Northern Ireland, a field in which it is also starting up in the UK.

It is believed that the Stanley share package was built up from shares sold by members of the Greenhalgh family not directly involved with the Standard business. Mr. Richard Greenhalgh, who was chairman, died late last year.

BORTHWICK TO BUY WILLIAMS BUTCHERS

Thomas Borthwick and Sons has reached agreement, subject to contract, with Booker McConnell for Borthwicks to purchase for cash the retail butchers shops and business trading as Williams Brothers Butchers.

This business is operated by Booker McConnells food distribution division. It is planned that the purchase will be completed by the beginning of February when further details will be announced.

It is intended that Williams will then be integrated with Matthews Butchers, a Borthwick's subsidiary.

Rank offers £1.8m for R.E. Ingham

The Rank Organisation has made an offer worth £1.8m in cash or shares for R. E. Ingham and Co.

Inghams specialise in the manufacture of loudspeakers and loudspeaker cabinets — a business which complements the existing activities of Rank Audio Visual.

Inghams will continue to operate as a completely separate business.

Progress by Symonds

With sales at £1.14m, against £1.04m, taxable profits of Symonds Engineering Co. progressed from £94,808 to £101,022 for the half year to September 30, 1979.

But the directors say that, as expected, inflation is affecting the company's manufacturing costs with subsequent erosion of margins.

The order book, however, is at a reasonable level and they are hopeful of satisfactory results for the year.

For the year ended March 31, 1979, profits before tax reached £221,492 on turnover of £2.18m.

Tax for the half year took £44,593 (£49,253) giving stated earnings per 5p share ahead from 0.443p to 0.551p. The net interim dividend is 0.225p (adjusted 0.2125p)—last year's total was an equivalent 0.775p, adjusted for the one-for-one scrip issue.

The company has "close" status.

A. ARENSON

A. Arenson (Holdings) has issued 720,000 ordinary 10p shares, arising from conversion by certain holders of its unlisted 12 per cent partly convertible redeemable cumulative £1 preference shares. There remain in issue 670,000 such preference shares, of which 60,000 no longer carry conversion rights.

SHARE STAKES

Titaghur Jute Factory: The acquisition by Mr. H. J. Silverston, director, should have read preference shares and not ordinary shares as reported.

City and Commercial Investment Trust: The Edinburgh Investment Trust have purchased a further 20,000 capital shares and now own a total of 185,000 capital shares (5.278 per cent).

Kumiek Holdings: A. Chatalos, chairman and managing director, has purchased a further 125,000 ordinary net 25,000 as announced on January 8.

Mainlin Electronic: Antony Gibbs Investment management has bought 241,000 preference shares for its own account. This is in addition to existing holdings including nominees of 3,233,334 preference and 200,000 ordinary shares.

Hambros Investment Trust: Kuwait Investment Office has acquired 100,000 ordinary making total holding 1,515,000 (5.68 per cent).

Apex Properties: Courtaulds (CIF) nominees holds 832,000 shares (7.72 per cent).

Brownlee and Co.—McLeod Russel and Co. has transferred its holding of 880,975 (12.43 per cent) to its wholly-owned subsidiary Dillroad.

Bertrams—McLeod Russel and Co. has transferred its total holding of 1,073,338 ordinary to its wholly-owned subsidiary Dillroad. This holding represents [illegible] per cent (voting strength 24.16 per cent).

Burmah Oil Co.—As a result of a purchase of 25,000 ordinary stock units on the Stock Exchange on December 12, 1979 the Kuwait Investment Office is now interested in 7,305,000 units ([illegible]07 per cent).

Derritron Ltd.—Amalgamated Industrials has acquired 32,500 ordinary shares bringing its group's total beneficial interest to 10,221,798 ordinary shares, 35.4 per cent of the issued ordinary share capital.

Empire Plantations and Investments—Singlo Holdings, an associate, has bought 150,000 Empire Plantations shares at 24½ bringing total holding to 498,000 shares (8.3 per cent).

Barrow Hepburn Group—Caparo Group has acquired a further 50,000 ordinary making a total of 6,706,040 (27.72 per cent).

Carless, Capel and Leonard—D. H. Leonard, director, as trustee disposed of 25,000 shares at 78p leaving interest at 1,661,000 (4.21 per cent).

British Electric Traction Co.—G. A. H. Watts, director, has disposed of 49,221 deferred ordinary shares to a beneficiary under the terms of a trust of which he is a trustee. C. F. Gray, director of BET Omnibus Services, has made a partial exercise of the option granted under the BET option scheme, in consequence of which, he will acquire 114,100 BET deferred ordinary at 46p.

Diploma—A. M. R. Parkinson, director, on December 31 ceased to be interested in 16,804 shares following a reorganisation of family interests.

Alexander Howden Group — C. L. R. Hart, director, has disposed of 25,000 shares at 99p leaving holding at 574,160.

MINING NEWS

Great Fingall and others

BY KENNETH MARSTON, MINING EDITOR

WHILE the strength of the gold price has yet to produce a crop of costly major new gold mines, it is turning a good deal of attention to the prospects of reopening old mines and the starting up of small new operations. Just how successful these efforts will prove to be remains to be seen, but there is no shortage of hope and enthusiasm in the mining world.

For example, the Metals Exploration group is to see if any worthwhile ore reserves still exist at the old Great Fingall mine in the Murchison Goldfield of Western Australia.

Great Fingall, which was one of the country's highest grade gold mines at the turn of the century is to be drilled to about 1,000 metres to seek a repetition of the previously mined orebody at depth.

Australian Consolidated Minerals is to take a 50 per cent interest in the venture with the 25 per cent-owned Nickelore having a 30 per cent stake. Metals Exploration will have the remaining 20 per cent.

The same three companies are also in a joint venture to explore the Big Bell open-cut gold prospect in the same area. Similar respective percentage interests will apply to this venture, providing that Metals Exploration and Nickelore match the past expenditure incurred by ACM.

In Canada, Broulan Reef Mines has optioned its Hoyle Township gold prospect, near Timmins in northern Ontario, to Rosario Resources in northern Manitoba. Sherritt Gordon Mines is expected to spend around C$500,000 on an optioned gold prospect about five miles from its closed-down Lynn Lake properties.

In Washington, the U.S. Bureau of Mines has said that the White Mountain wilderness in New Mexico has good potential for the discovery of low grade molybdenum deposits adding, enticingly, that unknown amounts of gold, silver and copper could also exist with the molybdenum.

Finally, it is reported from Alaska that the department of revenue there is to ask for legislation to allow the state to buy gold to protect some of its investments against inflation. There the state's public employees' pension fund to be invested in precious metals.

BIG PLACING OF MINORCO SHARES

Holders of Charter Consolidated who decided to keep the Minorco shares given to them on a one-for-four basis last year as part of Charter's reconstruction have done better than those who accepted the accompanying offer by Anglo American Corporation and De Beers to take them at a price of $4.65 per share equal to about 221p ex premium at that time.

In London yesterday Minorco were 70p following reports that Anglo and De Beers were placing some 5½m Minorco shares at $6.08, or about 269p. It is understood that the placing, which has not been completed, is being done by Rowe and Pitman in London and Wood Gundy in North America.

The placing, which could take some time to carry out, covers institutions in the UK, Europe, the Middle East and North America. It is a "best endeavours" operation.

ROUND-UP

Australia's International Mining Corporation says that results of its initial exploration programme at Wehla, Victoria, were very encouraging with gold values intersected in both target holes. The company added that a drilling programme on the remaining several hundred metres of the reef is due to commence and while it is carrying out its own exploration, it will continue talks with majors on a possible farm-in over some of these areas.

* * *

Tara Exploration and Development says that because of an industrial dispute at its Navan lead-zinc mine in Ireland which centres on the dismissal of a union representative, there has been a shutdown of mine production. A declaration of force majeure has been made under concentrate sale agreements, effective January 7. All the production is sold in Europe.

NORTH AMERICAN NEWS

Morgan result points to bank profit squeeze

BY STEWART FLEMING IN NEW YORK

THE FIRST hint that U.S. banks *may have found their profits* squeezed in the final quarter of 1979 came when J. P. Morgan announced that its fourth quarter earnings fell by 5.5 per cent to $77.6m compared with the previous year. Earnings *were also down 3.4 per cent* compared with the third quarter of 1979.

For the year as a whole the fifth largest U.S. commercial bank's profits increased by 8 per cent, from $266.9m to $288.3m. On a per share basis income before securities gains or losses in 1979 was $7.07 compared with $6.55 a year ago.

The bank points out, however, that in the fourth quarter of 1978 an extraordinary non-recurring asset sale added $5.8m to net income. Excluding this item, fourth quarter earnings would have been flat.

Morgan gave no details about the factors which have affected its fourth quarter performance and remarked that a larger volume of loans, both at U.S. offices and abroad, was a major contributor to the year-on-year gain.

Bank analysts, however, have been expecting some weakening in earnings in the industry, arising in part from the aftermath of the measures taken by the Federal Reserve on October 6 last year which resulted in a sharp rise in interest rates. A marked slowing in what had been a frenetic expansion in bank lending in the U.S. in the third quarter, was also widely expected to affect fourth quarter earnings.

Meanwhile, Harris Bankcorp, a leading Chicago bank, reported that its fourth quarter 1979 earnings were up 12 per cent on the 1978 figure, at $10.7m. For the whole of 1979 earnings were 10 per cent higher at $35.5m, compared with $32.3m in 1978.

Newmont Mining forecasts upturn

By Our Financial Staff

NEWMONT MINING, the precious metals, oil and gas group, *predicts fourth-quarter profits* "better than or equal to" the third-quarter earnings of $1.74 a share or at least 160 per cent higher than the 66 cents a share earned in the fourth quarter of 1978.

Mr. *Plato Malozemoff*, the chairman, said that Newmont earned at least $6.28 a share in all of 1979, about five times the 1978 earnings of $1.28. The company's booming profits, typical of metals companies in 1979, were *largely generated by* higher copper prices and by rocketing oil, gold, silver and molybdenum prices.

Mr. *Malozemoff* added that Peabody Holding, which is 27.5 per cent owned by Newmont and which lost $54.4m in 1978, registered "a slight profit" in 1979.

However, while refuting reports that Peabody has a liquidity problem, he conceded that the coal market was still soft and disclosed that Peabody was closing three of its smaller mines.

Peabody, acquired in 1977 by Newmont and five other companies when Kennecott Copper was forced to divest it, sold about 61m tons of coal last year compared with 48m tons in strike-plagued 1978. Mr. Malozemoff said, however, that its profit, after adjusting for about $40m charged against a loss reserve, was "insignificant."

Gotaas sale aids recovery at IU

BY IAN HARGREAVES IN NEW YORK

IU INTERNATIONAL, the diversified U.S. group which recently spun off its Gotaas Larsen shipping subsidiary, expects 1979 earnings to reach $65m on sales of $2.6bn—back to a level in line with 1977, when profits were $58.8m on sales of $2.3bn. *In 1978, the company's* earnings were dragged down to $12.1m on turnover of $2.5bn as a result of heavy losses by Gotaas Larsen, which was heavily exposed in the shipping industry slump.

Mr. John M. Seabrook, IU's chairman, said in Toronto that the estimated earnings for last year included all costs associated with the *Gotaas Larsen* spin-off. The shipping company's results would be shown for the first 11 months in IU's 1979 statement as a discontinued operation.

Gotaas Larsen is now based in Bermuda, enabling its ships to *sail under flags of convenience*, reducing the extent of scrutiny of its affairs by the U.S. regulatory agencies.

Without the shipping operation, 1980 should be a good year for IU, Mr. Seabrook said. He *predicted that earnings would* grow by between 15 and 20 per cent.

Mr. Seabrook also said that IU was considering expanding its interests in *precious metals* if explorations on the edge of the *Arctic Circle showed that* ore deposits merited full-scale gold mining. A decision could come in the second quarter.

HIRAM WALKER—CONSUMERS' GAS MERGER PLAN

The marriage that looked unlikely

BY RICHARD LAMBERT, FINANCIAL EDITOR

THE PROPOSED merger between Hiram Walker and the Consumers' Gas Company will *create a major new force in* Canadian business. Its combined equity base will *exceed $C1.5bn, and earnings will add* up to around C$210m.

At first sight it *looks an unlikely marriage*. Hiram Walker—Gooderham and Worts ranks as one of the four largest distillers in North America. Its *brands include Canadian Club* and Imperial, along with imported Scotch whiskies like Balantine's and Courvoisier cognac. It is involved in a hotly contested bid for Highland Distilleries, the Scotch whisky company, *for which it is offering over C$200m cash.*

Consumers' Gas distributes natural gas in Central and Eastern Ontario, Western Quebec and Northern New York State. It also has a significant stake in oil and gas exploration and production through its investment in Home Oil Company. Only last month *Consumers' completed a bid for* full control of Home Oil, in which it has held a big equity stake for some years.

If the latest deal goes through, the new company will *get 63 per cent of its earnings* from distilled spirits, 19 per cent from oil and gas operations and 18 per cent from gas distribution.

Although Hiram Walker is the larger of the two companies, the merger is being effected by means of an offer of Consumers' shares to the *distillery company's share-*holders. They will get 1.375 common shares of Consumers' for each Hiram Walker share they hold. Consumers' currently has a little over 35m shares outstanding—after allowing for conversion of its preferred stock—and it is now proposing to issue some 47m new shares to Hiram Walker shareholders.

Hiram Walker said yesterday that if it had offered its stock to Consumers'—rather than the other way around—the Ontario Energy Board would have had to approve the transaction, since it regulates ownership *of utility companies*. "We didn't want to be [illegible] with all that fuss," [illegible] company said. Moreover, by [illegible] the two groups' inter[illegible] in this way, the balance [illegible] of the new business will not be saddled with large [illegible] of goodwill.

However, Hiram Walker is certainly not going to disappear within the new conglomerate. Its name will figure [illegible] in the company title [illegible] Hiram Walker Resources [illegible] favourite—and one of the conditions of the deal is that its chairman, Mr. H. Clifford Hatch, will become chief executive officer of the merged group.

One reaction in Toronto to news of the merger is that Hiram Walker is attempting to make itself bid proof by [illegible] its equity base in [illegible] way. It learnt only last N[illegible] that nearly 6 per cent of its equity had been picked up by [illegible] Holdings, an investment company which specialises in [illegible] ing strategic stakes in likely bid candidates. There has been some speculation since then that Hiram Walker was going to be caught up in the extraordinary wave of takeovers which is sweeping across Canada.

The company denies that there is anything defensive about the link with Consumers'. It says that five years ago it decided that the scope for future investment in the North American liquor market would be severely limited by anti-trust considerations. It still wants to increase its share of the Scotch whisky market—hence the takeover bid for Highlands, a deal which it says is not affected in any way by the link with Consumers'. But diversification in North America has been its objective for several years past, and *energy activities have been seen* as a natural target.

By merging with Consumers' Gas, Hiram Walker hopes to be able to find profitable ways of exploiting its extremely strong balance sheet. Its shareholders' funds stand at around $800m, and its debt to equity ratio stands at a highly conservative 8:92. By comparison with this, Consumers' is a highly geared business, but even so the debt: equity ratio of the combined group should be no more than around 30:70. Annual cash flow will exceed C$325m, and Hiram Walker claims that if it wanted to it would probably be in a position to borrow $600m to $700m to finance attractive energy ventures.

Fully diluted earnings of the new group will be about $2.50 per share, an increase of about 15 per cent on the pro forma figure for Consumers'/Home Oil. Consumers' shares weakened a bit in early trading yesterday, *but the general reaction to the* news in Canada seems to have been favourable.

If all goes according to plan Hiram Walker shareholders will vote on the deal at the end of March. Then management will have to show that it can translate these fancy financial manoeuvres into solid industrial achievement.

Lex, Back Page

Michigan pledges $200m support for Chrysler

BY OUR NEW YORK CORRESPONDENT

THE STATE of Michigan has offered as much as $200m in fresh aid to the Chrysler Corporation by advancing a loan secured on Chrysler's Trenton, *Michigan, engine plant.*

This is another step in the troubled car maker's efforts to get enough money to qualify for the $1.5bn of federal loan guarantees.

It had been thought that the state would *provide funds* secured against Chrysler's headquarters complex in Highland Park but state officials rejected this option in favour of the engine plant. It was thought that the security provided by this property was better in the long run.

The state pension fund is expected to advance $175m against the engine plant and the City of Detroit is expected to make loans close to $30m against the company's assembly plants in the city.

But Chrysler has to come up with more finance from its bankers—possibly its long-term lenders and probably from the sale of assets—if it is to qualify for the government loan guarantees. *These talks are now in* progress.

Schlitz denial

Jos. Schlitz Brewing has no *intention of closing its brewery* in Memphis, Tennessee, said Mr. *Daniel F. McKeithan, the chair*man, reports Reuter from Milwaukee. He was commenting on a report in a magazine suggesting that the 5.5m-barrel plant would be closed.

Genstar-Flintkote

GENSTAR, the Canadian-based holding group, announced that its subsidiary has acquired 74.8 per cent of Flintkote outstanding shares at the time its tender offer expired on Thursday, Reuter reports from San Francisco. The Dorster subsidiary had acquired 5.47m shares at $55 each, Genstar said.

Warning by Emerson Electric

BY OUR FINANCIAL STAFF

EMERSON ELECTRIC exp[illegible] a strong trading performance [illegible] the first half of the current year, but is braced for more challenging circumstances in the second half, Mr. Charles F. Knight, chairman and chief executive, said in London yesterday.

He said Wall Street forecasts of earnings of about $3.60 a share for fiscal 1980 are in line with expectations in the Board room.

Emerson is "in discussions with more than one acquisition prospect," he added. They are U.S. companies with international operations.

Industrial processing and *machinery sectors*, which now provide some 23 per cent of sales, are regarded as attractive areas for acquisition moves.

The first quarter has gone well, with earnings "considerably exceeding" net earnings of $46m and sales of $576m in the comparable period. But the second quarter could be more difficult and the third quarter should show the effects of the recession expected this year in the U.S.

Mr. Knight expects the third and final quarters to show a slowdown in consumer durables and residential housing. Some 11 per cent of *Emerson's sales are* in the form of sales to the residential construction sector of components for heating, ventilating and power controls.

About 33 per cent of sales are made up by consumer sales of welders, band saws, hand tools and other products.

Mr. Knight said Emerson regarded Exxon Corporation's purchase of Reliance Electric as a "welcome" development in the market for control systems for electric motors.

He foresaw opportunities for Emerson in the entire field of energy efficiency, by way of its sales of components to utilities, the oil industry as well as the *air conditioning* and gas appliance industries.

Offer for FP climbs to C$149m

By Robert Gibbens in Montreal

THE BIDDING for FP Publications, the eight-paper Canadian newspaper chain which owns the Toronto Globe and Mail, *has reached the equivalent of* C$149m ($128m).

Mr. Howard Webster, chairman of the Globe and Mail and a major holder in FP Publications, said he is offering that figure for all the shares of FP. This is roughly C$10m above the rival bid from Thomson *Newspapers, the Thomson* family's North American newspaper chain.

Earlier, the Conrad Black interest had offered C$119m.

EUROBONDS

Activity in hard currency sector

By Francis Ghilès

WITH THE dollar sector of the Eurobond market remaining very quiet yesterday and secondary market prices essentially unchanged, the only sectors where new issuing activity proceeds apace are the hard currency ones.

New Deutschemark denominated foreign bonds are announced virtually every day and *the two private placements just* completed bring the volume of new foreign Deutsche Mark bonds launched in the past two weeks to just over DM 1bn ($0.58bn).

A DM 100m six-year bullet issue has been completed for Oesterreichische Kontrollbank *through Westdeutsche Landes*bank. The borrower is paying a coupon of 7¾ per cent and the bonds have been priced at par.

Also priced at par was a DM 20m eight-year private placement for Eurofina, the European railway stock financing company which has been arranged by Deutsche Girozentrale-Deutsche Kommunalbank. The borrower is paying a coupon of 7¾ per cent.

In the Swiss Franc sector, new bonds are well received but secondary market trading continues to be extremely thin. A SwFr 50m ($31m) ten-year issue was announced for the Jutland Telephone Company which carries a coupon of 5¼ per cent.

The lead manager is Union Bank of Switzerland. The public *attack made in a Danish* newspaper yesterday by the Governor of the Bank of Denmark against the way in which his country's economy has been managed in recent years had no effect on the secondary market prices either of dollar, Deutsche mark or Swiss Franc denominated bonds for the Kingdom of Denmark or other Danish borrowers.

Michael Lafferty writes: Further evidence of upheaval at *Kidder, Peabody London came* last night with the announcement from Credit Suisse First Boston that Hans-Joerg Rudloff, formerly chairman and managing director of Kidder Peabody International, is joining it in a senior management position. He will carry the title of managing director and will be responsible for strategic diversification moves at CSFB, according to Dr. Michael von Clemm, the chairman and chief executive.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on January 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	50	89¾	90	[illegible]	[illegible]	11.84
Alex Howden XW 9½ 91	30	77	79	[illegible]	[illegible]	13.34
Australian Res. 9¾ 84	30	91¾	92¼	0	[illegible]	12.00
Avco O/S Cap. 10½ 87	50	82¾	83	[illegible]	[illegible]	14.17
Beneficial Fin. 9½ 87	100	89¾	90	[illegible]	[illegible]	11.60
CECA Gr. Rate 10¾ 91	150	93½	94	[illegible]	[illegible]	11.80
CECA 9¾ 89	125	186½	[illegible]	[illegible]	[illegible]	12.77
Canadian Pacific 9¾ 89	50	89½	90	[illegible]	[illegible]	[illegible]
Carter Hawley 9¾ 86	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comalco Inv. E. 10¼ 91	40	90¼	90¾	+0¼	[illegible]	78
Continental Grp 9¾ 86	100	89¾	90¼	+0¼	[illegible]	93
Dome Petroleum 10 94	50	89	89½	0	[illegible]	54
Dominion Bridge 10¼ 84	30	94¾	95¼	0	[illegible]	72
Dow Chem. O/S 9¾ 94	200	86¾	87¼	0	[illegible]	54
EIB 9⅞ 87	150	91	91½	0	0	[illegible]
EIB 10 99	150	85	86	−0¼	−0¼	[illegible]
EIB 10¼ 87	100	92½	93	0	0	[illegible]
EIB 10.15 99	100	85¾	86¾	0	−1	[illegible]
Export Dv. Con. 9½ 84	100	91¾	92¼	0	−0¼	[illegible]
Export Dv. Can 9¾ 84	150	93¾	93¾	0	+0¼	[illegible]
Finland 9⅜ 89	100	87¾	88¼	+0¼	−0¼	[illegible]
GTE Finance 9¼ 84	50	92¾	93¼	−0¼	0	[illegible]
GTE Finance 9¾ 89	55	88¾	89¼	+0¼	+0¼	11
CMAC 9¾ 86	100	89	89½	+0¼	+0¼	11
Gould Int. Fin 9¾ 85	50	92¼	92¾	+0⅛	+0¼	11
Hudson Bay Co. 10 94	50	88¾	89¼	0	−0¼	11
ITT Antilles 9½ 89	75	86¾	86⅞	0	+0¼	11
Konnecott Int. 9½ 86	100	87⅞	87⅞	+0¼	0	12
Manitoba 9½ 89	75	86¾	86⅞	0	−0¼	11.9
Michelin 10 94	125	87⅞	88¾	0	−0¼	11.7
Nat. Des. Telecm. 9½ 86	100	90¾	90⅞	+0⅛	+0¼	11.63
New Brunswick 9¾ 94	75	85¾	86¾	+0⅛	−0¼	11.82
Newfoundland 10 94	50	89¼	89¾	0	−0⅛	11.55
Norges Komm 9⅞ 99	100	85½	86½	0	−1¼	12.11
Norway 9¼ 84	150	92¾	92⅞	−0¼	−0¼	11.74
Nova Scotia Pwr. 9¾ 89	50	88	88½	+0¼	+0¼	11.87
Occidental Fin 10¾ 84	50	94	94½	−0¼	+0¼	11.97
Orient Leasing 9½ 86	25	87⅞	88¾	+0⅛	0	12.20
Pennwalt O/S F. 9¾ 84	25	92¾	92¾	0	−0¼	12.05
Pepsico Cap. 9¼ 84	100	92¾	93¾	0	0	11.49
Quebec Hydro 10 99	75	86¼	86¾	0	−0¼	11.78
Sears Roebuck 9 82	150	94	94½	+0⅛	+0¼	12.25
Statoil 9¾ 89	100	88½	89	0	−0¼	11.61
Sweden 9¾ 89	100	88¾	89¼	+0⅛	−0¼	11.76
Sweden 9½ 86	200	90½	91¼	+0⅛	−0⅛	11.92
Sweden 9¾ 84	100	93¼	93¾	−0⅛	+0¼	11.85
Unilever NV 9¼ 87	100	88¼	88¾	+0⅛	+0¼	11.60
Warner-Lambert 9 84	100	91⅛	91⅝	0	+0⅛	11.54

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87	100	97⅞	98¼	−0⅛	−0⅛	8.33
Argentina 7½ 89	150	92¾	93½	−0⅛	−1¼	8.59
Asian Dev. Bk. 7⅞ 89	100	94¼	95	−0⅛	−0⅛	8.07
Banco Desarrollo 7¾ 86	100	93¼	93⅞	−0⅛	−0¼	8.65
Barclays O'seas 6¾ 89	100	95¾	95½	−0½	−0⅛	7.47
Brazil 8 87	150	96	96¼	−0⅛	−0⅛	8.65
CECA 7 91	150	93¾	94¼	0	−0⅛	7.81
Council of Eur. 7¾ 89	100	95½	96¼	+0¼	−0⅛	7.88
EEC 7⅞ 94	225	97¾	98¼	−0⅛	−0⅛	8.09
EIB 7½ 89	200	97½	98¼	−0⅛	−0½	7.82
Eletrobras-Brazil 7 87	100	93½	94¼	−0¼	+0⅛	8.17
Eurofima 6¼ 89	100	95¾	96¼	−0⅛	−0¼	7.15
Kobe, City of 7¼ 89	150	97½	98¼	+0¼	+0¼	7.43
Mitsubishi Chem. 6¾ 84	70	96¾	97	−0⅛	−0⅛	7.43
Neder. Gasunie 8 86	100	103	103½	−0⅛	0	7.38
New Zealand 7¼ 87	200	97	98¼	−0¼	−0¼	7.49
Nippon Kokan 6½ 84	100	94¾	95½	−0¼	−0½	7.89
Nippon Tel. & T. 5½ 87	100	87½	88¼	−0½	−1¼	7.80
Norges Komm. 7¾ 91	150	100¼	101¼	−0½	−0⅛	7.64
Norges Komm. 8¼ 94	150	†101½	102½	0	+0⅛	8.04
Norway 6¾ 84	200	97½	98¼	+0⅛	−0½	6.84
OKB 6 87	40	89¼	90¼	−0⅛	−1	7.95
OKB 7⅛ 89	100	97¼	97⅞	−0¼	−0¼	7.72
Tokyo Elec. Pwr. 6½ 85	200	95¾	96	0	−0½	7.52
World Bank 7¾ 91	400	97⅞	98¾	−0¼	−0⅛	8.01

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	94¼	94½	−1	−1⅛	8.30
Aumar 5 89	60	94	94½	0	−1⅛	5.80
Australia 3¾ 89	250	91¼	91¾	+0¼	+0⅛	4.82
Bergen, City of 4¾ 91	40	96½	96¾	+0¼	0	5.19
BNDE 5 89	75	88⅞	89¼	0	−1	5.68
PMW Overseas 4¾ 91	100	95¾	95¾	−0⅛	−0¼	4.76
Caisse Nat. Tele. 4¾ 89	100	95	95½	+0¼	−2½	5.02
Canada 3¾ 89	300	92¾	92⅞	+0¼	−0⅛	4.66
Copenhagen 4½ 91	60	93¾	94¼	−0⅛	−1⅛	5.19
Council of Eur. 5 89	100	95¾	95¾	−0⅛	+2¾	5.62
EIB 4¾ 91	100	91½	92	+1	0	5.48
EIB 4¾ 94	100	87½	88	0	−1	5.62
Elet. de France 4½ 89	100	97	98	+0¼	0	4.70
GZB 4¾ 89	100	91½	92	+0½	−1½	5.36
Hilti 4¾ 91	35	94¾	95¾	−0⅛	−2¾	4.81
ICI Fin. NV 3½ 94	230	81¼	*81¾	+0⅛	−0⅛	5.40
Int.-Amer. Dev. 4½ 89	100	91¾	91¾	+0⅛	−0⅛	5.69
Malaysia 5 89	80	90	90¼	−0¼	−1⅛	6.39
Nippon Tel & T. 4¾ 88	100	96¾	96¾	+0½	+0¼	4.20
Nordic Bank 5 89	45	100¼	100⅞	+0⅛	−0⅛	4.86
Norges Komm. 4¾ 91	100	91¾	92¼	−0½	−2¼	5.32
OKB 3¾ 91	100	84	84½	−0¼	−1⅛	5.69
OKB 4½ 91	100	89	89½	−0½	−1⅛	5.65
Oslo, City of 4¾ 91	100	89	89¾	0	−1¼	5.66
Shikoku El. Pwr. 4¾ 89	100	97	97¾	−0⅛	−1⅛	5.13
Spain 4 91	100	87¾	88	+0¼	−0⅛	5.48
Steweag 4¾ 91	60	96½	97	+1	−0⅛	5.13
Voest-Alpine 4¾ 89	90	98¾	98¾	−0¼	−1⅛	4.85
World Bank 4¾ 89	100	97½	98	0	−0⅛	4.92
World Bank 4¾ 89	150	93½	94	0	−2	5.21
World Bank 4¾ 91	100	93¾	93¾	+0⅛	−0½	5.41

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	89¾	90⅞	+0¼	+0⅛	8.72
Australia 6¾ 88	20	85¼	86¼	+0¼	+0⅛	8.06
EIB 7¾ 89	12	88¼	89¾	0	+0¼	7.95
Finland 5.6 83	10	89	90	+0¼	+0⅛	8.99
Finland 6.6 88	10	87¾	88¾	0	−0¼	8.98

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin. 10¼ 86 C$	25	87¾	88¼	[illegible]	−0¼	13.09
Bell Canada 10¼ 86 C$	50	93	93½	[illegible]	[illegible]	12.25
Cr. Foncier 10¾ 84 C$	30	93¼	94	[illegible]	[illegible]	13.18
Ex. Dev. Cpn. 10 84 C$	50	92¾	93¼	[illegible]	[illegible]	12.29
Fst. Can. Inv. 10 84 C$	30	90¾	91¾	[illegible]	[illegible]	13.08
Hudson Bay 10½ 89 C$	25	86¾	87½	[illegible]	[illegible]	12.86
Quebec 10½ 86 C$	50	90¾	91¾	0	[illegible]	12.51
R. Bk. Canada 10 86 C$	40	92	92½	[illegible]	[illegible]	11.77
R. Bk. Canada 10 84 C$	50	95½	96	[illegible]	[illegible]	12.19
Copenhagen 8¾ 91 EUA	25	†91½	93	0	0	9.39
Copenhagen 8¾ 91 EUA	20	†98½	99½	0	−0¼	8.88
SOFTE 8¾ 89 EUA	40	†88½	90	0	0	10.08
Algemene Bk. 8¾ 84 Fl	75	97¾	97¾	0	0	8.91
Amev 8½ 86 Fl	75	98	98½	+0¼	+0¼	8.84
Ned. Middbk. 8¾ 84 Fl	75	96⅞	96¾	0	0	9.27
Norway 8¾ 84 Fl	100	96	96½	+0¼	+0¼	9.36
Norway 8¾ 84 Fl	100	96	96½	0	0	9.25
Rabobank 9 84 Fl	25	100⅞	101¼	0	+0¼	8.69
Air France 11 84 FFr	120	97⅞	98⅞	0	+0¼	11.43
Euratom 9¾ 87 FFr	150	85¾	86¾	0	−0¼	12.79
Finland 11 84 FFr	80	95¾	96¾	0	0	12.16
Finland 11½ 89 FFr	70	94½	95¾	0	0	12.44
Gaz de France 11 84 FFr	150	97¾	98¾	0	0	11.65
Norway 9¾ 84 FFr	200	89¾	90¼	0	0	12.49
Renault 9¾ 85 FFr	100	88¾	89¾	0	−0¼	12.54
Saint-Gobain 9¾ 86 FFr	130	85¼	86¾	0	−0¼	13.13
Solvay et Cie 9¾ 87 FFr	125	83¼	84¼	0	0	13.38
Total Oil 9¾ 87 FFr	150	82⅞	83⅞	0	0	13.06
[illegible] 8 11½ 91 £	25	87	88	+0¼	+0¼	13.69
Finance for Ind. 13 91 £	15	96¾	97	+0¼	+1¼	13.58
Fin. for Ind. 12½ 89 £	30	92⅞	93¾	0	+0¼	13.78
Gen. Elec. Co. 12¼ 89 £	50	93¼	93⅞	−0¼	+1	13.77
Indonesia 8¾ 91 KD	7	†93½	94	0	0	9.66
Mitsubishi 7½ 84 KD	10	†95¾	95⅞	0	0	9.68
Norges Kom. 7½ 89 KD	12	†93½	93⅞	0	0	8.50
Occidental 8¾ 91 KD	7	†90¼	90¾	0	0	9.65
Alg. 9¾ 87 LuxFr	500	†94½	95¾	0	0	10.15
Eurom 8 87 LuxFr	500	90¾	91¼	0	0	9.73
Oslo City of 8 89 LuxFr	500	90	91	0	+0¼	9.68
Volvo 9¾ 87 LuxFr	500	98¾	99¾	0	0	9.98

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma Int. 6 87	0¼	99¾	100½	26/4	15¾	15.77
Banco Arg. BA 7¾ 86	0¼	96¾	97⅞	5/6	14½	14.95
Banco Urquijo 6 86	0¾	97½	97¾	21/3	13¾	13.74
Bank Ireland 5¾ 89	†0¼	97	97½	21/2	15.69	16.13
Bank Tokyo 5¾ 89	†0¼	97¾	98¾	25/1	15.19	15.52
Bergens Bk. A/S 6 89	†0¼	95¾	96¾	29/2	14.31	14.93
Banque Indo Suez 5¾ 89	0¼	98¾	99¾	11/1	11	11.17
[illegible] 5¼	0¼	97	97½	22/2	11.94	12.28
[illegible] S F. 6 94	†0¼	98⅞	99¼	8/3	14.44	14.60
[illegible] S F. 83	§†0	99¾	100	23/2	16⅞	15.16
[illegible] S F. 84	†0	98	99½	29/2	15	15.11
[illegible] Bk. 6 86	0¼	97¾	98¼	15/5	15.06	15.37
[illegible] 5½ 91	§†0¼	97¾	98¾	14/3	14⅞	15.18
[illegible] 5¼	§0¼	99¾	99¾	16/4	15.19	15.26
[illegible] 5½	†0¼	98¾	99¾	1/2	16.19	16.37
Japan [illegible] 89	0⅞	94¾	95¾	23/5	16	16.82
Ind. Bk. Japan 5¾ 87	0¼	97	97½	15/4	14¼	14.65
LTCB Japan 5½ 86	0¼	97½	98	13/6	14¼	14.68
LTCB Japan 5½ 89	0¼	97¼	97¾	7/6	14.19	14.56
Midland [illegible] S 6¼ 94	†0¼	98⅞	98⅞	29/2	13.81	14.01
National [illegible] 8¼ 86	0¼	97¾	97⅞	25/1	11½	11.78
Nat. West. [illegible] 94	§0¼	97⅞	98¼	11/1	14.94	15.24
Nippon Cr[illegible] 5½ 86	0¼	97¼	97¾	12/1	10⅞	11.15
Royal [illegible] 5¼ 94	§†0¼	98¾	98¾	11/1	14.94	15.17
Soc. Gén[illegible] 8½ 87	0¼	96½	97	3/4	13¾	13.70
Sogenal [illegible] 5¾		96¾	98¾	11/1	10.81	11.20
Sweden [illegible]	§0¼					
TVO Pwr. [illegible]	†0¼	97½	97¾	18/1	15	15.36
Urd. Overseas [illegible] lock)	0¼	97¾	97¾	24/5	15.31	15.69
Williams [illegible] 6 89	†0¼	97¾	97¾	29/3	15.31	15.73
Bq. E. d'[illegible] 5¼ 91	0¼	96¾	97¼	14/3	13	13.42
[illegible] 89 SF	0¼	96½	97	18/6	6.69	6.91

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktb[illegible] 89	10/79	145	99	100	0	−5.23
Alco Int. F[illegible]	1/80	40	92½	93½	0	13.88
Asahi Optical [illegible]	11/79	605	94¾	95⅞	0	8.09
Canon 6¾ 9[illegible]	8/79	570	105¾	106¾	+0¼	1.86
Ciba-Geigy C[illegible] 94	9/79	675	88	89	−0⅛	−4.57
Credit Suisse [illegible]	10/79	1325	108½	109½	+0¼	−1.14
Daiei Inc. 6½	11/79	1020	97½	98½	+0¼	4.90
Esselte 7¾ 89	9/79	159	93½	94¾	0	−1.42
Honda Motor [illegible]	5/79	632	105	106¾	+0¼	1.60
LPC Internat[illegible]	9/79	35	99	100	−0½	0.58
Meidensha Elec. [illegible]	12/79	210	93½	94½	0	16.49
Mitsubishi Cp. [illegible]	10/79	694	123¾	124¾	−1¾	8.45
Nippon Seiko 7 [illegible]	12/79	339	93	94	−0¼	3.12
Nitto Elec. Ind. [illegible]	7/79	735	84	85	−0¼	12.68
Toshiba Cpn. 7[illegible]	10/79	198	97¼	98¼	−0¼	5.20
Union Bk. Switz. [illegible]	2/80	125	110½	111½	+0¼	5.80
Fujitsu 5 84 DM	7/79	475	99½	100½	−0¼	19.06
Kansai Elec. 4 84	4/79	1234	87	88	+0¼	51.47
Tokyu Ld. Cp. 4 [illegible]	4/79	493	79½	80⅞	−0¼	52.13
Uny Co. 6½ 85 [illegible]	1/79	1071	98¾	99¾	0	23.84

* No information [illegible]able—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate († three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Italian Government injects fresh funds into chemical group

BY PAUL BETTS IN ROME

THE ITALIAN Government yesterday, temporarily bailed out Societa Italiana Resine (SIR), the country's third largest chemical group, by injecting a further L 81bn ($100m) of fresh funds in the troubled company now on the verge of financial collapse.

Disagreements and delays in the constitution of a banking consortium to salvage SIR have exacerbated the difficulties of the chemical enterprise.

But the minority Government of Sig. Francesco Cossiga again came to the aid of SIR which has substantial investments in the depressed south of the country, by approving a decree law yesterday which will see GEPI, the state group set up to salvage troubled companies, participate in the rescue.

GEPI will provide some L 81bn of fresh capital to SIR. This, according to Sig. Antonio Bisaglia, the Industry Minister, will resolve the troubled groups immediate short term problems.

In the longer term, the future of SIR will depend on the country's long delayed recovery programme for the Italian chemical industry.

SIR's current difficulties result from the refusal so far of Italcasse, the central institute grouping Italy's savings banks, to participate actively in the banking consortium recently set up to salvage SIR.

The consortium, led by IMI, Italy's largest state-controlled medium-term special credit institute, will eventually inject a total of some Lire 700bn of fresh funds, to recapitalise SIR and help launch the heavily indebted company's recovery programme.

Despite the Government's emergency intervention, the problems of SIR are widely regarded as being by no means over.

Indeed, the prospects now look even bleaker for SIR in particular following an announcement by Sig. Siro Lombardini, the Minister of State Holdings, that ENI, the Italian state hydrocarbons group with substantial interests in the chemical sector, had no intention of eventually participating in the rescue of SIR by taking over some of SIR's main plants.

The broad principle on which the recovery of the chemical industry was to be based was an eventual rationalisation of the industry into two main groups, one controlled by ENI in the public sector and the other by Montedison.

This would have eventually seen Anic, the ENI chemicals subsidiary, intervene both in SIR and Liquichimica, Italy's fourth chemical enterprise now also facing dire financial difficulties.

Swedish retailer back in the black

BY VICTOR KAYFETZ IN STOCKHOLM

NK-AAHLEN, the Swedish retailing group, reports that all divisions showed a clear rise in earnings last year.

This helped to put the group back into the black with a pretax profit of SKr 8m ($1.9m) after extraordinary items.

The Board recommends passing the dividend for the third consecutive year. But it proposes paying SKr 7 per preference share for a total of SKr 1.5m.

This is meant to cover SKr 3.50 apiece for 1977-78 and 1978-9, the same dividend paid in 1976-7.

Group sales, excluding units disposed of during the year, rose 5 per cent to SKr 8.76bn ($2.12bn). Private consumption in Sweden was relatively buoyant but its growth rate declined during the autumn, NK-Aahlen says.

The group predicts that the current year—ending October, 1980—will see a lower growth rate against a background of Swedish private consumption, accelerating inflation and sharper cost rises.

The NK department stores and B and W suburban shopping centres showed satisfactory profits while the Aahlen and Tempo department store chains registered continued unsatisfactory earnings.

The Tempo division's sales were SKr 4.99bn, up 4.5 per cent. B and W turnover rose 4 per cent to SKr 1.95bn while the Aahlen division had sales of SKr 996m, or more than 13 per cent higher. NK stores had a turnover of SKr 829m, up about 2 per cent.

The group's net financial costs dropped from SKr 72m to SKr 61m and investments were down from SKr 224m to SKr 159m. Net profit after allocations and tax was SKr 2m, against a loss of SKr 60m.

● Statsfoeretag, the Swedish state holding company, expects to reduce its losses for 1979 to SKr 320m ($77.5m) from the SKr 929.4m deficit incurred in 1978.

This was announced yesterday by the Swedish Industry Ministry in its section of this year's draft Budget Bill.

The Ministry said the state shipyards group Svenska Varv, which now includes Kockums' shipping and shipbuilding activities, should post a 1979 loss of around SKr 1.1bn after a SKr 2.15bn loss before appropriations, taxes and Government aid in 1978.

The Ministry said state aid to shipyards amounted to around SKr 12bn for 1977 to 1979 but a Government Bill, due this spring, will gradually reduce and then abolish state aid.

Weaker Swiss profits predicted

By John Wicks in Zurich

SWISS manufacturing companies are optimistic about demand in 1980, according to a survey carried out by Union Bank of Switzerland (UBS).

About 75 per cent of companies answering a bank questionnaire expect a rise in turnover this year and a good third of the sample expect growth in excess of the current inflation rate.

A further 18 per cent anticipate that 1980 turnover will be at about last year's level, while only seven per cent believe it will fall. In 1979, about one-fifth of the companies under review are said to have shown a fall in turnover.

Despite the anticipated rise in industrial sales, only 35 per cent of the companies expect improved profits for 1980.

This compares with a rise in earnings for 43 per cent of the sample last year. A further 44 per cent, compared to 32 per cent last year, are expecting profit levels to remain unchanged.

For the first quarter of 1980, better business is awaited, particularly by the machine-building, metal-working, chemical, textile and paper industries. Growth is expected to slow in the construction sector in view of rising building costs.

● Group turnover of the Swiss engineering company Von Roll, last year passed the SwFr 1bn ($0.6bn) mark for the first time, according to provisional results. This means a rise of at least 17 per cent compared with the previous 13-month financial period. Within the group total, parent-company sales went up by some 20 per cent to over SwFr 500m.

Von Roll, which has faced considerable difficulties in recent years, reports a "marked improvement in profitability" in 1979. The Board foresees a "clearly positive" cash flow for the parent-undertaking for 1979. The improved earnings are attributed to higher turnover, better capacity use and reorganisation.

Ferrostaal wins higher sales

By Kevin Done in Frankfurt

FERROSTAAL, the West German steel, process plant and marine trading concern, increased its sales by 10 per cent to DM 2.9bn in the financial year to the end of June 1979.

The company, 100 per cent owned by the Gutehoffnungshütte group, is carefully optimistic about its prospects in the current business year.

Its trading activities with the building and construction industry should be employed to capacity with present orders well into next year and it is expecting an up-turn in the ship trading sector.

Hopes for an improvement in the shipping industry could be dashed if U.S. grain deliveries to the USSR are halted, says Dr. Hans Singer, Ferrostaal chief executive.

The main rise in Ferrostaal business in the last year came from its third-party steel-trading activities, which increased by about 20 per cent compared with 1977/78.

General overseas contracting for large-scale plants and steel grew by only 5 per cent, while its domestic steel-trading business increased by some 10 per cent.

To improve its share of the international market for plant erection, Ferrostaal is taking a minority stake (25 per cent plus one share) in DSD Dillinger Stahlbau, a West German steel construction company.

DSD, with 8,000 employees, has annual sales of DM 500-600m and an order book standing at DM 700m.

Poor year for German funds

FRANKFURT — Last yar was a poor one for most West German investment funds, according to the Investment Funds Association (BVI). Only real estate investment funds showed growth in assets of between 4.6 per cent and 6.7 per cent, while mutual funds holding German shares lost between 2.1 per cent and 7.1 per cent.

Funds holding bonds showed marginal to modest growth, in the 0.3 per cent to 2.1 per cent range, while mixed funds ranged from a growth of 0.5 per cent to a decline of 5.7 per cent. International funds, invested in securities of several countries registered widely divergent results, ranging from a gain of 23.5 per cent and losses of 19.4 per cent.

The results of mutual funds reflected the 11.4 per cent overall decline of share prices listed on the Frankfurt bourse, while fixed income securities funds suffered from Bundesbank's tight credit policies. Foreign exchange turbulence, "strongly affected" the results of international funds. AP-DJ

DUTCH PROPERTY

Poised for expansion

BY CHARLES BATCHELOR IN AMSTERDAM

DUTCH property investment companies have been undergoing a period of readjustment. Small companies have merged into larger units, new companies have been set up or revamped and two property groups have carried out major share issues in the past few months.

The point of much of this activity has been to develop large enough units to support expansion abroad, particularly into the U.S. The narrowness of the Dutch property market and the small number of first class investment opportunities at home long ago persuaded the property funds to move into other European countries, notably West Germany, France and Belgium. They are now making the leap across the Atlantic.

Wereldhave, the company with the largest portfolio, recently made a one-for-four rights issue and gained a listing on the London Stock Exchange. Sarakreek has also placed new shares with the specific intention of funding expansion in the U.S. The Robeco investment group added to its property stable by launching Rodamco last March since when Rodamco has acquired a majority shareholding in another property fund Eupic. Three small property funds, Agora, Breevast 67 and Breevast 75 have merged to form the Alvamij group.

In the Netherlands, rent controls have reduced the appeal of the housing sector to the bigger investor. The competition for good Dutch commercial property has forced up market vales and brought about a considerable decline in yields. Rodamco recently calculated rental yields at 7.5 per cent in the U.S. and seven per cent in Belgium and France compared with only 6.5 per cent in the Netherlands. This was however better than West Germany and the UK.

In contrast, the U.S. has much to offer. It is a large and stable market with a minimum of controls. Despite fears of a downturn in the U.S. economy, Sarakreek expects the U.S. property market to remain attractive.

A recent flurry of activity on the Dutch property scene marks the beginning of a new phase of expansion — with most professional investors lining up their sights on the U.S.

High interest rates are likely to persuade companies to sell and rent back property rather than to refinance purchase, it concluded recently.

Wereldhave, which recently carried out a study of the American market in conjunction with mortgage bank Westland-Utrecht, warns of the complexity of the U.S. market. A local presence and the ability to react swiftly are necessary for success, it says.

With a property portfolio worth around Fl 830m ($437m) Wereldhave has proved the most aggressive of the Dutch companies. "There is not much competition when it comes to complex international takeovers. Advantageous financing arrangements can frequently be taken over too," the company explained recently. Last year it made an unsuccessful bid for English Property Corporation.

Wereldhave, like Sarakreek, seeks a broad international spread of investors in its shares. To this end it has acquired a London listing and increased its capital by a rights issue in December to fund a further expansion in the U.S., where 11 per cent of its portfolio is invested.

Rodamco is alone among Dutch property groups in that it fixes its daily share price on the basis of net asset value: it had Fl 500m of property investments at the end of August.

Rodamco controls 55 per cent of European Property Investment Company (EUPIC) which was set up by seven banks and investment groups in 1973. EUPIC has a portfolio worth Fl 225m, mainly in European office property.

Unlike many other property companies, EUPIC is not classified as an investment institution for tax purposes which means that it is not zero rated for company tax, but at the same time not required to distribute all its profits.

Dutch property companies are now well placed to expand further in the new decade. It is unlikely, however, that the final battle lines have been drawn up and further link-ups among the companies and with other institutional investors appear likely.

Hongkong Land makes major sale

BY PHILIP BOWRING IN HONG KONG

A STILL shadowy group of overseas Chinese interests from South-East Asia, which goes under the name of the Carrian Group, stunned even Hong Kong for the second time in two weeks yesterday with the announcement that it was buying a central Hong Kong office block from Hongkong Land for almost HK$1bn (US$202m) through its subsidiary Extrawin. On December 29, it was announced that this same group was paying HK$487m to Stelux for its 52 per cent holding in the quoted property company Mai Hon Enterprises, and would make an equivalent cash offer to the minority shareholders.

Hongkong Land is selling Gammon House for HK$ 998m, payable in three instalments, the last being in July of this year.

The sale will give Land a capital gain of HK$185m, achieved in just 13 months. It was in December 1978 that Land bought Gammon House from Jardine Matheson, with which Land is closely associated, for HK$715m in cash. The deal was widely criticised at the time as an incestuous one which would help a cash-poor Jardine, but would involve Land in heavy and costly borrowing.

Both critics and supporters of the deal can take comfort from the latest news. Land has netted a handsome capital gain, and at the same time relieved itself of a lossmaker. Land admitted yesterday that the level of interest rates in Hong Kong over the past year had been significantly higher than it expected when it bought the building. The purchase was largely financed by a HK$600m seven-year loan from a banking syndicate led by the Citicorp subsidiary Asia Pacific Capital Corporation at a spread over the higher of the local prime or three month interbank rate. As a result, for the past six months Land has been paying around 16 per cent for this money.

At the time of the acquisition of Gammon House, gross income from the property was only around HK$43m a year. With interest at 16 per cent the interest cost on the loan alone is HK$96m. Although rents are rising as leases come up for renewal, the Gammon House acquisition proved a major drain on Land's profits.

For the six months ending June 1979, Land's profit rose by only 8.9 per cent to HK$147m, a negligible increase compared with most Hong Kong property companies, which have been reaping the benefits of vast development profits and steady increases in rental income.

The sale of Gammon House will give further strength and flexibility to the Jardine Hong Kong Land group in warding off any raids from local Chinese interests. It is clear that the battle for Hong Kong and Kowloon Wharf Company, which is pitting Land and Jardines against the shipping magnate Sir Y. K. Pao, is still going on in the market-place.

Wharf shares moved up sharply again yesterday to over $80 a share in an otherwise weak market. They now have a dividend yield of 1.4 per cent. By that standard, the price paid for Gammon House looks cheap.

Second buyer joins battle for Entrad

By James Forth in Sydney

A BATTLE for shares in the diversified textile and real estate group Entrad has developed on the Sydney share market. Mr. Abraham Goldberg, the Melbourne businessman who has been buying in the market since Monday, and who has agreed to stand in the mark etfor 20 trading days and take all shares offered, has been out-bid by an unidentified rival. Mr. Goldberg is offering 98 cents a share, but the rival bidder stepped in at A$1 and has pushed the price up to A$1.05.

The emergence of a competitor is intriguing, because Mr. Goldberg controlled 53 per cent of Entrad before he started his market operation, and had built his holding to about 73 per cent before encountering opposition. But the rival buyer yesterday purchased 1.3m shres which accounted for all but 200 of the total traded, and now holds just over 6 per cent of Entrad's capital.

The latest development adds to the controversy which has surrounded Entrad since Mr. Goldberg acquired his initial stake last October by buying the Union Bank of Switzerland's 41 per cent shareholding.

Yesterday, in response to pressure from the Sydney exchange, the Entrad Board released a statement to shareholders giving them more information about the deal. The exchange was particularly concerned that shareholders should receive more information about Mr. Goldberg's plan to sell the textile group Cleckheaton to Entrad: but Australian International Finance Corporation, the merchant bank retained to value that company, has not yet completed its report.

The Entrad statement said that since the balance date, several of Entrad's assets had ben sold for prices above book value, which had increased the asset backing from A$1.22 a share to A$1.38. Negotiations were under way to sell a motel, which would further increase asset backing to more than A$1.40.

The directors said that Entrad was also prepared to consider offers for another major asset, a Melbourne shopping centre valued in the boks at A$138m (US$ 34.5m).

They also pointed out that "certain directors" had disposed of some of their shares on the market, and that the shares held by the company's superanuation funds had also been sold on the market.

Observers suggest that the rival bidder may be seeking a strategic stake to gain a strong bargaining position with Mr. Goldberg.

Bank Leumi cuts prime rate 5%

BY L. DANIEL IN TEL AVIV

BANK LEUMI Le-Israel, the country's largest and oldest bank, has decided to reduce its prime rate of interest by 5 per cent to 75 per cent per annum. The decision follows a sharp decline in the demand for credit due to the high rate of interest (which still lags behind the rate of inflation—over 110 per cent in 1979 as well as to the decline in economic activity observed since mid-November, when Mr. Yigael Hurvitz, the new Finance Minister, took over the Treasury.

The Minister is determined to reduce Israel's rampant inflation by a cutback of 4 to 5 per cent in real terms in the budget. Since two-thirds of the budget cannot be reduced (one-third is earmarked for debt service and retirement, and another third for defence), the cutback in all other spheres will in fact amount to 15 per cent, which is bound to create unemployment, if the Minister's draft budget is accepted by his colleagues.

At present, Mr. Hurvitz is facing stiff opposition from the Ministry of Housing and ministers in charge of social welfare. The final decision will depend on whom Premier Begin will back when the matter comes before the full Cabinet after his return from Aswan.

CURRENCIES, MONEY AND GOLD

Dollar improves

THE DOLLAR was slightly firmer, while sterling lost ground in the foreign exchange market yesterday. Intervention by central banks probably helped to push up the U.S. currency since underlying market sentiment remained soft. It rose to DM 1.7165 from DM 1.7115 against the Deutsche Mark, to SwFr 1.5790 from SwFr 1.5730 in terms of the Swiss franc, and to Y235.70 from Y234.50 against the Japanese yen. On Bank of England figures, the dollar's trade-weighted index rose to 84.3 from 84.2.

Sterling's index, as calculated by the Bank of England, fell to 70.9 from 71.1, after standing at 70.9 at noon and 71.1 in the morning.

The pound touched a high point of $2.2655-2.2665 in early trading, but a large selling order before noon pushed it down to $2.2590-2.2600. Sterling continued to decline to a low point of $2.2550-2.2560, but it recovered on some buying interest from New York, to close at $2.2590-2.2600, a fall of 70 points on the day.

D-MARK—Very strong, and showing a tendency to rise within the European Monetary System recently, but slightly easier this week. The D-mark recorded mixed changes at the Frankfurt fixing, rising slightly against sterling but losing ground to the dollar and Swiss franc. The Bundesbank did not intervene at the fixing. In terms of its EMS partners the German currency improved against two of the weaker currencies, the Belgian franc and Danish krone, but eased slightly against the Irish punt. On the other hand the D-mark was unchanged against the lira and declined against the French franc and Dutch guilder.

FRENCH FRANC — Strongest member of the EMS since late December. The Franc eased slightly at the Paris fixing against its EMS partners, except the Italian lira which was unchanged. Outside the EMS the dollar rose to FFr 4.0160 from FFr 4.0110 and the Swiss franc to FFr 2.5490 from FFr 2.5460, but sterling fell to FFr 9.0670 from FFr 9.0990.

BELGIAN FRANC—Generally weakest member of EMS, but resists devaluation—The franc lost ground against the dollar, sterling and Swiss franc, while showing mixed changes against EMS currencies at the Brussels fixing. The D-mark, Dutch guilder and Irish punt were firmer, but the French franc, Danish krone and lira declined against the Belgian currency.

DANISH KRONE—Basically weak, suffering two devaluations since EMS began last March—The krone weakened against all EMS currencies except the French franc at the Copenhagen fixing following comments by the head of the Danish National Bank that his country was on the edge of an "economic abyss." The dollar, Swedish krona and Japanese yen were unchanged among non-EMS currencies, while sterling improved.

DUTCH GUILDER—Firmer in recent weeks, near top of EMS—The guilder gained ground against its EMS partners, and was firm against most other currencies at the Amsterdam fixing. The dollar was unchanged at Dfl 1.8935, while sterling and the yen declined, but the Swiss franc was firmer.

IRISH PUNT—Second weakest member of EMS recently—The punt improved against most of its EMS partners at the various European fixings, but eased slightly against the guilder. In Dublin the punt rose to 95.25p from 95.15p against sterling, but eased to $2.1540 from $2.1570 in terms of the dollar.

SWISS FRANC — Very firm generally, kept in line with D-mark. The franc showed a firm trend against other major currencies, including the dollar, sterling, Japanese yen and D-mark.

THE POUND SPOT AND FORWARD

Jan. 10	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2550-2.2665	2.2590-2.2600	0.53-0.43c pm	2.55	1.25-1.15 pm	2.12
Canada	2.6290-2.6450	2.6340-2.6350	0.65-0.55c pm	2.73	1.70-1.60 pm	2.50
Nethlnd.	4.29-4.30½	4.29-4.29	2½-1½c pm	4.55	5½-4½ pm	4.55
Belgium	65.75-66.20	65.95-66.15	10-4c pm	1.71	33-23 pm	1.77
Denmark	12.07-12.14½	12.09½-12.10½	1¾ore pm-½ dis	0.74	2¾-4¼ dis	-1.16
Ireland	1.0490-1.0540	1.0495-1.0495	0.03-0.13p dis	-0.91	0.20-0.30dis	-0.95
W. Ger.	3.86-3.89½	3.87½-3.88½	3¼-2¼pf pm	8.50	8¼-7¼ pm	7.26
Portugal	111.40-112.60	111.80-112.00	5-55c dis	-3.22	40-145 dis	-3.22
Spain	149.75-149.90	149.70-149.80	25-75c dis	-4.02	65-185 dis	-3.62
Italy	1,806-1,815	1,812-1,813	4½-6½ lire dis	-3.64	[illegible] dis	-3.81
Norway	11.05-11.14	11.09-11.10	5-4ore pm	5.41	14-12 pm	4.68
France	9.06-9.10	9.08½-9.09½	3½-2½ pm	4.29	6½-5½ pm	2.64
Sweden	9.52-9.58	9.54-9.55	3½-1½ore pm	3.21	9-7 pm	3.42
Japan	529-536	532-533	4.20-3.90y pm	9.13	10.75-10.45pm	7.96
Austria	27.75-27.97	27.85-27.90	22-12gro pm	7.32	58-48 pm	7.60
Switz.	3.55-3.58½	3.56½-3.57½	4-3c pm	11.76	10-9 pm	10.64

Belgian rate is for convertible francs. Financial franc 64.50-65.00. Six-month forward dollar 2.12-2.02c pm, 12-month 4.10-4.00c pm.

THE DOLLAR SPOT AND FORWARD

Jan. 10	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2550-2.2665	2.2590-2.2600	0.53-0.43c pm	2.55	1.25-1.15 pm	2.12
Ireland†	2.1520-2.1545	2.1530-2.1540	0.60-0.65c pm	3.20	1.55-1.45 pm	2.79
Canada	1.1642-1.1673	1.1642-1.1645	0.04c pm-par	0.20	0.17-0.13 pm	0.51
Nethlnd.	1.8977-1.8977	1.8937-1.8947	0.40-0.30c pm	2.21	1.23-1.13 pm	2.49
Belgium	27.85½-27.93	27.91-27.93	0.5c pm-1 dis	-0.11	par-2 dis	-0.14
Denmark	5.3325-5.3560	5.3535-5.3550	0.35-0.65ore dis	-1.34	4.0-4.5 dis	-2.16
W. Ger.	1.7130-1.7180	1.7160-1.7170	0.92-0.82pf pm	6.08	2.52-2.42 pm	5.75
Portugal	49.50-49.65	49.55-49.65	15-25c dis	-4.84	45-75 dis	-4.84
Spain	66.02-66.09	66.02-66.04	20-35c dis	-5.00	70-95 dis	-5.00
Italy	801.25-802.30	801.85-802.15	4-5 lire dis	-6.73	12-13½ dis	-6.36
Norway	4.9070-4.9110	4.9070-4.9080	1.4-0.90ore pm	2.81	3.85-3.35 pm	2.93
France	4.0125-4.0190	4.0150-4.0170	0.50-0.45c pm	1.49	0.70-0.60 pm	0.65
Sweden	4.2335-4.2365	4.2355-4.2365	0.60-0.40ore pm	1.45	1.70-1.50 pm	1.55
Japan	234.80-236.20	235.65-235.75	1.35-1.20y pm	6.49	3.50-3.25 pm	5.72
Austria	12.31½-12.33½	12.32¼-12.33¼	6.0-4.5gro pm	5.11	16.0-15.0 pm	5.35
Switz.	1.5760-1.5805	1.5785-1.5795	1.25-1.18c pm	9.23	3.45-3.38 pm	8.65

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

Jan. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.585865	—
U.S. $	12	1.32405	1.45184
Canadian $	14	1.54728	1.69592
Austria Sch.	3¾	16.5044	17.9938
Belgian F.	10½	36.8748	40.3989
Danish K.	11	7.09029	7.75688
D Mark	6	2.26770	2.48555
Guilder	9½	2.50709	2.74720
French Fr.	9½	5.31076	5.82237
Lira	15	1060.56	1162.44
Yen	6¼	312.476	340.490
Norwgn. Kr.	9	6.61962	7.13720
Spanish Pts.	8	87.3979	95.8254
Swedish Kr.	9	5.48090	5.99581
Swiss Fr.	2	2.08432	2.28715

CURRENCY MOVEMENTS

Jan. 10	Bank of England Index	Morgan Guaranty changes %
Sterling	70.9	-35.3
U.S. dollar	84.3	-8.8
Canadian dollar	81.0	-16.0
Austrian schilling	158.2	+24.2
Belgian franc	115.5	+13.9
Danish kroner	109.5	-2.4
Deutsche mark	158.7	+46.6
Swiss franc	204.7	+83.2
Guilder	126.4	+20.6
French franc	102.7	-5.2
Lira	55.0	-49.8
Yen	119.4	+18.3

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England index=100).

OTHER MARKETS

Jan. 10	£	$		£ Note Rates
Argentina Peso	3673-3693	1625-1635	Austria	27.65-27.90
Australia Dollar	2.0290-2.0310	0.8990-0.8995	Belgium	64.70-65.20
Brazil Cruzeiro	98.35-99.35	43.50-43.95	Denmark	12.06-12.13
Finland Markka	8.32-8.33	3.6850-3.6870	France	9.04-9.10
Greek Drachma	85.956-88.009	37.80-38.00	Germany	3.86½-3.89
Hong Kong Dollar	11.09½-11.11½	4.9130-4.9150	Italy	1835-1895
Iran Rial	n/a	n/a	Japan	531-536
Kuwait Dinar (KD)	0.610-0.620	0.2716-0.2717	Netherlands	4.26½-4.29
Luxembourg Frc.	65.06-65.15	27.91-27.93	Norway	11.08-11.15
Malaysia Dollar	4.9130-4.9250	2.1765-2.1775	Portugal	110-119½
New Zealand Dlr.	2.2800-2.2880	1.0090-1.0105	Spain	148¾-155
Saudi Arab. Riyal	7.56-7.66	3.3605-3.3615	Switzerland	3.54½-3.57
Singapore Dollar	4.8680-4.8800	2.1570-2.1580	United States	2.255-2.265
Sth. African Rand	1.8575-1.8595	0.8225-0.8235	Yugoslavia	48-50½

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU January 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.3800	+1.43	+1.40	±1.53
Danish Krone	7.72336	7.75903	+0.46	+0.43	±1.64
German D-Mark	2.48208	2.48492	+0.11	+0.08	±1.125
French Franc	5.84700	5.82253	-0.42	-0.45	±1.3557
Dutch Guilder	2.74362	2.74399	+0.01	-0.02	±1.512
Irish Punt	0.668201	0.672983	+0.72	+0.69	±1.668
Italian Lira	1157.79	1161.68	+0.34	+0.31	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan. 8	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.260	3.880	532.5	9.090	3.570	4.285	1813.	2.635	63.10
U.S. Dollar	0.443	1.	1.717	235.7	4.023	1.580	1.896	802.2	1.166	27.93
Deutschemark	0.258	0.582	1.	137.2	2.343	0.920	1.104	467.1	0.679	16.26
Japanese Yen 1,000	1.878	4.243	7.286	1000.	17.07	6.704	8.047	3404.	4.947	118.5
French Franc 10	1.100	2.486	4.268	585.8	10.	3.927	4.714	1994.	2.898	69.42
Swiss Franc	0.280	0.633	1.087	149.2	2.546	1.	1.200	507.7	0.738	17.68
Dutch Guilder	0.233	0.527	0.905	124.3	2.121	0.833	1.	423.0	0.615	14.73
Italian Lira 1,000	0.552	1.247	2.141	293.8	5.015	1.970	2.364	1000.	1.454	34.81
Canadian Dollar	0.380	0.858	1.473	202.1	3.450	1.355	1.626	688.0	1.	23.95
Belgian Franc 100	1.585	3.581	6.149	843.9	14.41	5.658	6.791	2872.	4.175	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 13.90-14.00 per cent; three months 13.95-14.05 per cent; six months 13.90-14.00 per cent; one year 12.75-12.85 per cent.

Jan. 10	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	16-16¼	13⅞-14⅛	12½-13½	10½-10¾	⅝-⅞	8⅛-8¼	11¾-12	13-16¼	—	6 1/16-6⅝
7 days' notice	16⅞-17⅛	13⅞-14⅛	12½-13½	10¾-11	1⅝-1⅞	8⅛-8¼	11¾-12	19½-22	14-14⅛	6¾-7 1/16
Month	16½-16¾	14-14¼	13½-13⅞	12¼-12½	4 11/16-4 15/16	8¼-8⅜	12⅜-12⅝	19¼-21¼	14⅛-14¼	7 1/16-8 1/16
three months	16½-16¾	14 3/16-14 7/16	13⅝-14	11¾-12	5⅜-5½	8 5/16-8 7/16	13⅜-13⅝	19½-20¾	14⅜-14½	8 5/16-8⅝
six months	16¼-16½	14 3/16-14 7/16	13 7/16-13 11/16	11½-11¾	5 7/16-5 11/16	8⅜-8½	13⅝-13⅞	19-20	14⅛-14¼	8 5/16-8 7/16
one year	15¼-15½	12 15/16-13 3/16	12 9/16-12 13/16	10⅞-11⅛	5 7/16-5 9/16	8 5/16-8 7/16	13½-13¾	18½-19½	13 5/16-13 7/16	7⅝-8⅛

Long-term Eurodollar two years 12[illegible]-12[illegible] per cent; three years 11[illegible]-12[illegible] per cent; four years 11[illegible]-11[illegible] per cent; five years 11[illegible]-11[illegible] per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Belgian rates steady

The Belgian authorities yesterday gave further indications of their firm resolve to resist any devaluation of the Belgian franc within the European Monetary System, and suggested that European interest rates were unlikely to escalate any further, as was the case in 1979, when most major nations were caught in an upward spiral of rates in general. However, the Belgian franc remains weak within the EMS, and has not been helped by recent political uncertainty in Belgium. But the Belgian National Bank has at its disposal a number of ways of maintaining the franc within its permitted limit, including sizeable gold reserves.

FRANKFURT — Call money fell back from Wednesday's level of 9.00-9.20 per cent to 8.70-8.90 per cent yesterday, while longer term rates were slightly firmer where changed. One-month money rose to 8.80-8.90 per cent from 8.75-8.85 per cent but three and six-month funds were unchanged at 8.90-9.00 per cent and 8.70-8.80 per cent respectively. The 12-month rate was firmer at 8.50-8.60 per cent against 8.40-8.50 per cent previously.

PARIS—Call money remained at 11⅞ per cent and period rates showed little overall change. One-month money was quoted at 12 1/16-12 3/16 per cent, unchanged from Wednesday, while the three-month rate moved fractionally firmer to 12 5/16-12 7/16 per cent from 12¼-12⅜ per cent. Six- and 12-month rates were unchanged at 12 5/16-12 7/16 and 12¼-12¼ per cent rsepectively.

AMSTERDAM — Interbank money rates were easier throughout, with call money at 10½-11 per cent against 11½-12½ per cent and one-month money at 12¼-12⅜ per cent from 12½-12¾ per cent. The three-month rate fell to 12¼-12½ per cent from 12½-12¾ per cent while six-month money remained at 12-12¼ per cent.

HONG KONG—Conditions in the money market remained reasonably comfortable throughout the day, with call money at 13½ per cent and overnight business also dealt at 13¼ per cent.

GOLD

Continued decline

Gold continued to decline in the London bullion market yesterday, falling $9½ to close at $598-603. Trading was fairly quiet, with the metal opening at $602-607, and touching a high point of $607-612. The weakest level during the day was $593-598, and gold was fixed at $608.25 in the morning, and $602.85 in the afternoon.

In Paris the 12½ kilo gold bar was fixed at FFr 77,600 per kilo ($600.63 per ounce) in the afternoon, compared with FFr 77,980 ($604.23) in the morning, and FFr 76,800 ($595.54) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,060 per kilo ($600.01 per ounce) compared with DM 32,835 ($596.00)

	January 10		January 9	
Gold Bullion (fine ounce)				
Close	$598-603	(£264¾-277¼)	$605-615	(£266½-271½)
Opening	$602-607	(£266-268½)	$600-610	(£266-271)
Morning fixing	$608.25	(£268.484)	$599.25	(£265.237)
Afternoon fixing	$602.85	(£266.783)	$607.20	(£267.725)
Gold Coins				
Krugerrand	$615-620	(£272-275)	$624-630	(£274½-277½)
Mapleleaf	$615-620	(£272-275)	$623-629	(£274-277)
New Sovereigns	$155-157	(£68½-69½)	$156-158	(£68½-69½)
King Sovs.	$174-176	(£76½-78½)	$172-175	(£75½-77½)
Victoria Sovs.	$174-176	(£76½-78½)	$172-75	(£75½-77½)
Fr20 Napoleon	FFr545-570	(SFr213-223)	FFr520-550	(SFr205-215)
50 pesos Mexico	$760-770		$755-765	
100 Cor. Austria	$580-590		$596-606	
$20 Eagles	$702-707		$703-718	
$10 Eagles	$385-405		$385-405	
$5 Eagles	$281-300		$281-300	

UK MONEY MARKET

Small help

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

Day-to-day credit was in short supply in the London money market yesterday, and the authorities gave assistance by buying a small amount of Treasury bills all direct from the discount houses. The latter were paying 15½-15¾ per cent for secured call loans at the start, with later balances commanding up to 17 per cent. The market was faced with a small excess of revenue transfers to the Exchequer over Government disbursement and a small net take up of Treasury bills to finance. In addition banks brought forward balances some way below target, and funds were also drained in respect of the tap stock Exchequer 14 per cent 1984. On the other hand there was a small decrease in the note circulation.

In the interbank market overnight loans opened at 15¾-16¼ per cent and eased to 15¾-16 per cent before sinking further to 15-15½ per cent. However demand increased during the afternoon with money touching 19-20 per cent before finishing at 18 per cent.

Rates in the table below are nominal in some cases.

MONEY RATES

NEW YORK	
Prime Rate	15-15¼
Fed. Funds	13⅞-14
Treasury Bills (13-week)	11.80
Treasury Bills (26-week)	11.64
GERMANY	
Discount Rate	6
Overnight Rate	8.80
One month	8.85
Three months	8.95
Six months	8.75
FRANCE	
Discount Rate	9.5
Overnight Rate	17.75
One month	12.125
Three months	12.375
Six months	12.375
JAPAN	
Discount Rate	8.25
Call (Unconditional)	8
Bills Discount (three-month)	8.575

LONDON MONEY RATES

Jan 10 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	15-20	—	—	—	16¼	14½-17	—	—	—
2 days notice	—	—	16½-16¾	—	—	—	—	—	—	—
7 days or 7 days notice	—	16-16¼	16¾-17	—	17	16½-17½	15½-16½	—	—	—
One month	16¾-16⅝	16⅝-16¾	16⅞	17¾-17⅛	17	17¼	16¼-16⅜	15 7/8-15¾	17-17 1/32	17⅛
Two months	16¾-16⅞	16 11/16-16 13/16	—	17½-17¼	17	—	16¼-16⅜	15 11/16	16¾	17
Three months	16¾-16⅞	16¾-16⅞	16⅞-16 11/16	17-16⅞	17	17¼	16¼	15⅞	16 1/16-16 1/32	16¾
Six months	16 1/16-16	16⅛-16¼	16⅛-16½	16-15¾	16⅝	—	—	—	15⅝	16⅛
Nine months	15⅝-15¼	15⅝-15½	—	16-15⅝	15⅞	—	—	—	—	—
One year	15-14⅞	15-15⅛	15⅛-15⅝	15⅝-15⅛	15¾	—	—	—	—	—
Two years	—	—	15½-15⅝	—	—	—	—	—	—	—

Local authorities and financial houses seven days' notice others seven days fixed. * Long-term local authority mortgage rates nominally three years 15¾-16½ per cent; four years 15¾-15½ per cent; five years 15¾-15½ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16 1/16 per cent; four-month trade bills 16⅝ per cent.

Approximate selling rates for one-month Treasury bills 15⅞-15 11/16 per cent; two-month 15 11/16-15¾ per cent; three-month 15 21/32 per cent. Approximate rates for one-month bills 16⅝-16 21/32 per cent; two-month 16⅝ per cent; three-month 16 1/16-16 21/32 per cent; one-month trade bills 17 per cent; two-month 16⅞ per cent and three-month 16⅞ per cent.

Finance Houses Base Rates (published for the Finance Houses Association) 17 per cent from January 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 15.8434 per cent.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, January 9. The Exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified cases. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for particular transactions. Bank of America NT and SA does not undertake to trade in all the listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume any responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	44.00
Albania	Lek	4.4513
Algeria	Dinar	3.8325
Andorra	French Franc	4.0115
	Spanish Peseta	66.035
Angola	Kwanza	33.487
Antigua	E. Caribbean $	2.7025
Argentina	Argentine Peso	1634.50
Australia	Australian $	0.9015
Austria	Schilling	12.3175
Azores	Portug. Escudo	49.60
Bahamas	Bahamian $	1.00
Bahrain	Dinar	0.3778
Balearic Isles	Spanish Peseta	66.035
Bangladesh	Taka	15.625
Barbados	Barbados $	2.01
Belgium	B. Franc (C)	27.8275
	B. Franc (F)	28.73
Belize	Belize $	2.00
Benin	C.F.A. Franc	200.575
Bermuda	Bda $	1.00
Bhutan	Indian Rupee	7.8774
Bolivia	Bolivian Peso	24.26
Botswana	Pula	0.8342
Brazil	Cruzeiro	43.79
Brit. Virgin Isles	U.S. $	1.00
Brunei	Brunei $	2.149
Bulgaria	Lev	0.879
Burma	Kyat	6.7271
Burundi	Burundi Franc	90.00
Cameroun Republic	C.F.A. Franc	200.575
Canada	Canadian $	1.1681
Canary Islands	Spanish Peseta	66.035
Cape Verde Isle	Cape V. Escudo	35.51
Cayman Islands	Cay. Is. $	0.833
Cent. Af. Emp.	C.F.A. Franc	200.575
Chad	C.F.A. Franc	200.575
Chile	Chilean Peso (O)	39.00
China	Renminbi Yuan	1.5438
Colombia	Col. Peso (O)	43.35
Comoros Islands	C.F.A. Franc	200.575
Congo (Brazzaville)	C.F.A. Franc	200.575
Costa Rica	Colon	8.57
Cuba	Cuban Peso	0.7233
Cyprus	Cyprus Pound	0.3434
Czechoslovakia	Koruna (O)	5.25
Dem. Rep. Sao Tom & principe	S. Tome Dobra	34.1624
Denmark	Danish Krone	5.3443
Djibouti	Djibouti Franc	165.271
Dominica	E. Caribbean $	2.7025
Dominican Repub.	Domin'cn Peso	1.00
Ecuador	Sucre	27.20
Egypt	Pound (3)	0.67
El Salvador	Colon	2.50
Equatorial Guinea	Sp. Peseta	66.035
Ethiopia	Birr (O)	2.0655
Faeroe Islands	Danish Krone	5.3443
Falkland Islands	Falkland Is. £ (*)	2.259
Fiji Islands	Fiji $	0.8308
Finland	Markka	3.682
France	French Franc	4.0115
French C'ty in Af.	C.F.A. Franc	200.575
French Guiana	Local Franc	4.0115
French Pacific Is.	C.F.P. Franc	74.416
Gabon	C.F.A. Franc	200.575
Gambia	Dalasi	1.7639
Germany (East)	Ostmark	1.7177
Germany (West)	Deutschemark	1.7177
Ghana	Cedi	2.75
Gibraltar	Pound £*	2.259
Gilbert Is.	Aust. $	0.9015
Greece	Drachma	37.90
Greenland	Danish Krone	5.3443
Grenada	E. Caribbean $	2.7025
Guadaloupe	Local Franc	4.0115
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	33.3187
Guinea Republic	Syli	19.0067
Guyana	Guyanese $	2.5481
Haiti	Gourde	5.00
Honduras Repub.	Lempira	2.00
Hong Kong	H.K. $	4.933
Hungary	Forint (O)	34.00
Iceland	I. Krona	385.40
India	Ind. Rupee	7.8774
Indonesia	Rupiah	625.00
Iran	Rial	71.50
Iraq	Iraq Dinar	0.2953
Irish Republic	Irish Punt *	2.1562
Israel	Israel Pound	31.455
Italy	Lira	800.975
Ivory Coast	C.F.A. Franc	200.575
Jamaica	Jamaican Dollar	1.7835
Japan	Yen	234.85
Jordan	Jordan Dinar	0.2936
Kampuchea	Riel	n.a.
Kenya	Kenya Shilling	7.293
Korea (Nth)	Won	0.94
Korea (Sth)	Won	484.00
Kuwait	Kuwait Dinar	0.2715
Lao P'ple D. Rep.	Kip of Lib.	400.00
Lebanon	Lebanese Pound	3.26
Lesotho	Rand	0.8256
Liberia	Liberian $	1.00
Libya	Libyan Dinar	0.2961
Liechtenstein	Swiss Franc	1.5742
Luxembourg	Lux Franc	27.8275
Macao	Pataca	5.31
Madagascar D. R.	MG Franc	200.575
Madeira	Portugese Escudo	49.60
Malawi	Kwacha	0.8067
Malaysia	Ringgit	2.186
Maldive Islands	Mal Rupee	3.93
Mali Republic	Mali Franc	401.15
Malta	Maltese Pound	0.3372
Martinique	Local Franc	4.0115
Mauritania	Ouguiya	40.115
Mauritius	M. Rupee	7.5497
Mexico	Mexican Peso	22.84
Miquelon	C.F.A. Franc	200.575
Monaco	French Franc	4.0115
Mongolia	Tugrik (O)	3.3555
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	3.8702
Mozambique	Moz. Escudo	30.5421
Namibia	Rand	0.8256
Nauru Is.	Aust. $	0.9015
Nepal	Nepalese Rupee	12.00
Netherlands	Dutch Guilder	1.8938
Netherland Antilles	Antillian Guild	1.80
New Hebrides	Aust. $	0.9015
	FNH	64.8271
New Zealand	NZ $	1.0182
Nicaragua	Cordoba	10.00
Niger Republic	C.F.A. Franc	200.575
Nigeria	Naira (O)	0.5503
Norway	Norwg. Krone	4.9135
Oman Sultanate of	Rial Omani	0.3456
Pakistan	Pkst. Rupee	9.91
Panama	Balboa	1.00
Papua N. Guinea	Kina	0.732
Paraguay	Guarani	127.30
Peoples D. Repub. of Yemen	S. Yemen Dinar	0.3416
Peru	Sol	250.78
Philippines	Ph. Peso	7.40
Pitcairn Islands	NZ $	1.0182
Poland	Zloty (O)	31.00
Portugal	Port. Escudo	49.60
Port Timor	Timor Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Qatar Ryal	3.70
Reunion Ile de la	French Franc	4.0115
Rhodesia	Rhd $	0.6955
Romania	Leu	4.47
Rwanda	Ruanda Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Sterling (*)	2.259
St. Lucia	E. Caribbean $	2.7025
St. Pierre	C.F.A. Franc	200.575
St. Vincent	E. Caribbean $	2.7025
Samoa American	U.S. $	1.00
San Marino	Italian Lira	800.975
Saudi Arabia	Saudi Riyal	3.3595
Senegal	C.F.A. Franc	200.575
Seychelles	S. Rupee	5.8748
Sierra Leone	Leone	[illegible]
Singapore	Singapore $	2.149
Solomon Islands	S.I. $	[illegible]
Somali Republic	Som. Shilling	[illegible]
South Africa	Rand	0.8256
Spain	Peseta	66.035
Spanish ports in North Africa	Sp. Peseta	66.035
Sri Lanka	S.L. Rupee	15.67
Sudan Republic	Pound (1)	0.80
	Pound (2)	0.50
Surinam	S. Guilder	1.80
Swaziland	Rand	0.8256
Sweden	S. Krona	4.153
Switzerland	Swiss Franc	1.5742
Syria	Syria Pound	[illegible]
Taiwan	New Taiwan $ (O)	36.00
Tanzania	Tan. Shilling	[illegible]
Thailand	Baht	20.50
Togo Republic	C.F.A. Franc	200.575
Tonga Islands	Pa'anga	0.9013
Trinidad	Trin. & Tob. $	[illegible]
Tunisia	Tunisian Dinar	[illegible]
Turkey	Lira	47.10
Turks & Caicos	U.S. $	1.00
Tuvalu	Australian $	0.9013
Uganda	Ug. Shilling	7.293
United Arab Emir.	UAE Dirham	3.743
United Kingdom	£ Sterling (*)	2.259
Upper Volta	C.F.A. Franc	200.575
Uruguay	Urug. Peso	8.45
U.S.S.R.	Rouble	0.654
Vatican	Italian Lira	800.975
Venezuela	Bolivar	[illegible]
Vietnam N.	Dong (O)	2.18
Virgin Islands U.S.	U.S. $	1.00
Western Samoa	Samoan Tala	[illegible]
Yemen	Rial	4.57
Yugoslavia	New Y. Dinar	[illegible]
Zaire Republic	Zaire Zaire	[illegible]
Zambia	Kwacha	0.7753

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for essential exports and imports. (2) Sudan—Official rate for all transactions except for essential export and imports.
(3) Egypt—A different rate applies to certain transactions with non-IMF countries.

EUROPEAN OPTIONS EXCHANGE

Series		Jan. Vol.	Jan. Last	April Vol.	April Last	July Vol.	July Last	Stock
ABN C	F.320	—	—	3	6.20	—	—	F.309
AKZ C	F.22.50	—	—	—	—	1	3.80	F.24.20
AKZ C	F.25	82	0.20	55	1.50	42	2.10	"
AKZ C	F.27.50	—	—	43	0.70	6	1	"
AKZ C	F.30	—	—	4	0.20	—	—	"
AKZ P	F.27.50	—	—	24	3.50	10	3.60	"
BQ C	F.220	1	5	—	—	—	—	F.223.10
CSF C	F.440	—	—	—	—	3	55	F.481
FNC C	$20	—	—	1	4¾	—	—	$24¼
FNC C	$25	—	—	2	1⅛	—	—	"
HO C	F20	—	—	—	—	10	4.80	F.23.40
HO C	F.22.50	7	1	—	—	2	2.90	"
HO C	F.32.50	10	0.10	—	—	—	—	"
IBM C	$65	9	2	2	4⅝	—	—	$66⅛
IBM C	$75	—	—	3	1⅛	—	—	"
KLM C	F.70	9	2.20	1	4.90	—	—	F.72
KLM C	F.80	—	—	43	1.80	6	3.90	"
KLM C	F.90	—	—	—	—	5	1.60	"
KLM P	F.70	11	1	20	4	5	5.70	"
KLM P	F.80	4	9.60	—	—	—	—	"
NN C	F.110	—	—	—	—	1	16	F.120.70
NN C	F.115	54	6.50	3	10	—	—	"
NN C	F.120	52	1.50	23	5.50	100	6.50	"
PET C	Fr.4400	8	1190	—	—	—	—	Fr.5580
PET C	Fr.5000	8	580	1	760	—	—	"
PET C	Fr.5500	21	170	17	460	—	—	"
PET C	Fr.6000	—	—	3	210	2	270	"
PHI C	F.20	—	—	—	—	35	2.10	F.20.70
PHI C	F.22.50	—	—	33	0.60	16	0.90	"
PHI C	F.25	—	—	—	—	10	0.40	"
PHI P	F.22.50	2	1.70	—	—	5	2.30	"
PHI P	F.25	—	—	—	—	4	4.60	"
PRD C	$30	—	—	25	1 1/16	—	—	$26⅞
PSA C	F.300	—	—	—	—	3	14	F.263.50
RD C	F.140	21	5.90	—	—	—	—	F.145.80
RD C	F.145	46	2.40	8	7.80	2	9.10	"
RD C	F.150	103	0.30	108	5.20	19	6.50	"
RD C	F.160	—	—	69	2	15	3	"
RD P	F.140	—	—	6	1.60	—	—	"
RD P	F.145	42	0.80	—	—	—	—	"
RD P	F.150	8	4	21	5.80	—	—	"
UNI C	F.120	—	—	—	—	2	4.40	F.117.30
UNI C	F.130	—	—	—	—	2	1.80	"
XRX C	$60	6	3	12	5¾	—	—	$63
XRX C	$70	—	—	—	—	10	3	"
		Feb.		May		Aug.		
BA C	$45	—	—	20	12¾	—	—	$56⅞
BA C	$50	5	7	—	—	—	—	"
BA C	$60	—	—	56	3⅞	5	5⅛	"
		March		June		Sept.		
GM C	$50	—	—	—	—	10	6	$59½
GM C	$60	10	⅜	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 1453

C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	17 %
Allied Irish Bank	17 %
Amro Bank	17 %
American Express Bk.	17 %
Henry Ansbacher	17 %
A P Bank Ltd.	17 %
■ Arbuthnot Latham	17 %
Associates Cap. Corp.	17 %
Banco de Bilbao	17 %
Bank of Credit & Cmce.	17 %
Bank of Cyprus	17 %
Bank of N.S.W.	17 %
Banque Belge Ltd.	17 %
Banque du Rhone et de la Tamise S.A.	17½%
Barclays Bank	17 %
Bremar Holdings Ltd.	18 %
Brit. Bank of Mid. East	17 %
■ Brown Shipley	17 %
Canada Perm't Trust	17 %
Cayzer Ltd.	17 %
Cedar Holdings	17 %
Chartered Trust Ltd.	18 %
■ Charterhouse Japhet	17 %
Choulartons	17 %
C. E. Coates	17 %
Consolidated Credits	17 %
Corinthian Secs.	17 %
The Cyprus Popular Bk.	17 %
Duncan Lawrie	17 %
Eagil Trust	17 %
E. T. Trust Limited	17 %
First Nat. Fin. Corp.	18½%
First Nat. Secs. Ltd.	18 %
Robert Fraser	18 %
■ Antony Gibbs	17 %
Greyhound Guaranty	17 %
Grindlays Bank	‡17 %
■ Guinness Mahon	17 %
■ Hambros Bank	17 %
■ Hill Samuel	§17 %
C. Hoare & Co.	†17 %
Hongkong & Shanghai	17 %
Industrial Bk. of Scot.	17½%
Keyser Ullmann	17 %
Knowsley & Co. Ltd.	18½%
Lloyds Bank	17 %
London Mercantile	17 %
Edward Manson & Co.	18 %
Midland Bank	17 %
■ Samuel Montagu	17 %
Morgan Grenfell	17 %
National Westminster	17 %
Norwich General Trust	17 %
P. S. Refson & Co.	17 %
Rossminster	17 %
Ryl. Bk. Canada (Ldn.)	17 %
Schlesinger Limited	17 %
E. S. Schwab	17 %
Security Trust Co. Ltd.	18 %
Shenley Trust	19 %
Standard Chartered	17 %
Trade Dev. Bank	17 %
Trustee Savings Bank	17 %
Twentieth Century Bk.	17 %
United Bank of Kuwait	17 %
Whiteaway Laidlaw	17½%
Williams & Glyn's	17 %
Yorkshire Bank	17 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%. 1-month deposits 15¾%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¾% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

Dow up 6 in heavy early trade

IN ANOTHER heavy early trade punctuated by some profit-taking, Wall Street stocks showed an inclination to gain fresh ground.

The Dow Jones Industrial Average was 5.88 higher at 855.97 at 1 pm, while the NYSE All Common Index rose 50 cents to $63.22 and rises led falls by an eight-to-five margin. Trading volume was a heavy 34.72m shares at 1 pm, but fell well below Wednesday's comparable mid-session total of 49.41m.

Analysts said news that wholesale prices in December rose 0.8 per cent, well off the 1.3 per cent rate of rise in November was encouraging.

The market has risen sharply this week on expectations of increased U.S. arms spending that should benefit defence and capital goods issues.

Volume leader Benguet rose $1 to $10½ despite a decline in Gold prices, although Silver continued to rise. Williams Cos., which fell sharply early in the week on fears about the effect of the grain embargo on fertiliser manufacturers, gained 1½ to $31⅞.

Hiram Walker jumped $4 to $58½. The company is being acquired by Consumers' Gas for stock valued at $1.3bn.

Chemical New York eased ⅛ to $37 despite reporting improved fourth-quarter net earnings. Winn Dixie were unchanged at $27½. A block of 343,300 shares were traded at $27.

CBS said it will distribute video discs for RCA's selectavision. CBS added ⅞ at $52½, but RCA were unchanged at $24. Amerada Hess climbed 1½ to $49½ and Hapco 1½ to $33⅞. Both raised their dividends.

THE AMERICAN SE Market Value Index rose 2.45 to 254.20 at 1 pm. Volume 3.66m shares (5.27m).

Canada

Markets continued to advance in very active trading yesterday morning. The Toronto Composite Index climbed 19.99 to a new all-time peak of 1,873.97 at noon. Oil and Gas added 19.8 at 3,904.2, Metals and Minerals 21.3 at 1,936.6, Golds 5.5 at 2,739.5 and Papers 2.01 at 173.26.

Closing prices for North America were not available for this edition.

Tokyo

With active buying taking place in stocks of companies related to production of materials that can be used to build military hardware, the Tokyo market gained further ground early yesterday. Some segments of the market, however, subsequently reacted on profit-taking.

The Nikkei-Dow Jones Average reached the 6,600 level for the first time in its history, before finishing only 2.18 higher on the day at a new closing-record high of 6,594.01. Gaining issues still outscored declines at the close by 383 to 271 on the First Market section, while turnover was again substantial, amounting to 630m shares (650m).

Brokers said the Soviet Union's incursion in Afghanistan and the general atmosphere of hardened hostility between the U.S. and the Soviet Union over Afghanistan had aroused the interest of investors in issues that could benefit from increased military spending.

Machine Manufacturers such as Ishii Iron Works and Okuma Machinery Works, Steels, Bearings, Petrochemicals and some Cement issues were still ahead at the close after active demand, but Energy-related shares and Non-ferrous Metals were mainly lower on balance on afternoon profit-taking.

Kawasaki Steel, Y131, and Nippon Steel, Y128, added Y2 apiece, while TDK Electronics improved Y20 to Y1,830, but Teikoku Oil receded Y11 to Y832, Toa Nenryo Y26 to Y900, Nippon Oil Y20 to Y1,660, Sanko Steamship Y7 to Y310 and Mitsubishi Y20 to Y701.

Australia

Markets were predominantly firmer, with Diamond Exploration issues meeting a good deal of buying attention, along with a fair number of Metal Miners and some Energy stocks. The Sydney All Ordinaries index climbed 8.41 to an all-time peak of 777.79, while the Metals and Minerals index advanced 100.40 to 4,881.36.

The Ashton diamond consortium reported for the three months to December late on Wednesday, and on the evidence the market is banking on there being a commercial diamond property at the consortium's Argyle discovery. The pipe surface area is reportedly larger and the yields better than mines being successfully worked in South Africa. London was very enthusiastic about the news and pushed the Ashton shares ahead and Australian centres kept them going for a while before profit-taking slowed the advance.

Among the Ashton partners, CRA gained 14 cents more at $5.40. Ashton Mining ended 20 cents higher at A$3.40 and Northern Mining added 10 cents at A$3.20. Elsewhere, Gem Exploration rose 6 cents to 42 cents.

Among Metal Minings, MIM moved ahead 15 cents to A$4.70 and Western Mining 12 cents to A$3.80. Hamersley rose 18 cents to A$3.70, while Tin Producers Aberfoyle and Renison met fresh buying and improved 40 cents to A$5.60 and 50 cents to A$17.60 respectively.

Gold stocks firmed on the worsening Afghanistan crisis with Central Norseman Gold putting on 10 cents to A$6.20. Poseidon 3 cents to A$2.38 and GMK 10 cents to A$3.70.

Market leaders BHP advanced 20 cents to A$12.30 on the Industrials board. BHP reported strong demand for its steel and outlined plans for bringing the Fortescue Oil Field on stream. Its exploration subsidiary, Dampier Mining, has a foothold in the Kimberley region, which also aided sentiment.

Woodside added 5 cents at A$2.50 in generally higher Oils, while Gas issue Santos rose 30 cents to A$7.10.

Paris

Profit-taking after the recent advance, partly prompted by mounting international political tension over the Soviet intervention in Afghanistan, pushed shares down in moderate trading.

Falls were widespread among Foods, Constructions and Rubbers, and also Oils despite the announcement of the discovery of oil and gas in the Norwegian zone of the North Sea by a French consortium led by Elf-Aquitaine.

Stores put up some resistance to the lower trend, however, was observed among Portfolios, Motors and Stores.

Aquitaine lost FFr 7 to FFr 1,249, Thomson Brandt FFr 5.5 to FFr 303.2 and Michelin "B" FFr 23 to FFr 937.

However, closing two to three per cent higher were Schneider, Peugeot-Citroen, Alspi, Nouvelles Galeries, Radiotechnique, Saulnes, Roussel-Uclaf, Lesieur des Eaux, Essilor and Penarroya.

Germany

The recent improving trend was replaced by a downward drift in stock prices yesterday in rather quiet dealings. The Commerzbank index dipped 1.8 to 708.4.

Dresdner Bank declined DM 2.30, while among Electricals, Brown Boveri surrendered DM 6 of its recent advance but AEG improved DM 2.10. MAN lost DM 3 in Engineerings and Kaufhof DM 3.30 in Stores.

On the Domestic Bond market, Public Authority Loans eased afresh by up to 65 pfennigs. The Bundesbank bought a nominal DM 5.9m of paper after purchasing DM 27.6m on Wednesday. Mark-denominated Foreign Loans also continued to weaken.

Johannesburg

Gold shares closed higher across the board after active trading.

Harties rose 300 cents to R60.000, while Kloof and Libanon added 100 cents each at R27.50 and R19.25 respectively.

Mining Financials followed gold producers ahead, with Anglovaal gaining R4.00 to R95.00.

De Beers put on 10 cents to R11.00 after Wednesday's CSO diamond sales figures. The Stock Exchange officially corrected the De Beers closing price for Wednesday. Platinums were mixed.

Switzerland

The traditional January rally gained momentum yesterday in increased volume, particularly in the Financial and Industrial Sectors.

Indices

NEW YORK—DOW JONES

	Jan. 9	Jan. 8	Jan. 7	Jan. 4	Jan. 3	Jan. 2	1979-80 High	1979-80 Low	Since Complitn High	Since Complitn Low
● Industr'ls	850.09	851.71	832.00	828.84	820.31	824.57	887.67 (5/10)	796.67 (7/11)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	74.01	75.84	75.82	73.76	75.76	73.47	88.18 (15/8)	73.35 (31/12)	—	—
Transport.	253.85	255.17	250.15	251.31	247.22	248.71	271.77 (15/8)	205.78 (27/2)	279.88 (7/2/69)	12.25 (8/7/32)
Utilities	109.10	108.59	107.81	108.94	106.16	105.63	109.74 (17/12)	98.24 (24/10)	165.32 (20/4/69)	10.52 (28/4/42)
Trading Vol 000's†	65,770	55,540	44,740	39,410	50,730	41,020	—	—	—	—

●Day's high 865.70 low 846.76

	Jan. 4	Dec. 28	Dec. 21	Year ago (approx)
Ind. div. yield %	6.03	6.05	6.03	5.84

STANDARD AND POORS

	Jan. 9	Jan. 8	Jan. 7	Jan. 4	Jan. 3	Jan. 2	1979-80 High	1979-80 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	122.30	122.24	119.96	119.52	117.81	118.41	124.49 (18/10)	107.08 (27/2)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	109.05	108.95	106.81	106.52	105.22	106.79	111.27 (5/10)	96.13 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Jan. 2	Dec. 26	Dec. 19	Year ago (approx)
Ind. div. yield %	5.38	5.27	5.24	6.04
Ind. P/E Ratio	7.54	7.67	7.70	8.84
Long Gov. Bond Yield	10.16	10.17	10.09	8.96

N.Y.S.E. ALL COMMON

Jan. 9	Jan. 8	Jan. 7	Jan. 4	1979-80 High	1979-80 Low
62.72	62.59	61.40	61.17	62.88 (21/9)	53.88 (27/3)

Rises and Falls

	Jan. 9	Jan. 8	Jan. 7
Issues Traded	1,917	1,897	1,904
Rises	1,025	1,200	904
Falls	546	348	624
Unchanged	346	349	376
New Highs	168	104	90
New Lows	4	8	10

MONTREAL

	Jan. 9	Jan. 8	Jan. 7	Jan. 4	1979-80 High	1979-80 Low
Industrial	338.65	332.08	329.55	325.81	338.65 (9/1/80)	219.19 (2/1)
Combined	316.11	311.71	308.45	307.22	316.11 (9/1/80)	226.89 (2/1)
TORONTO Composite	1854.0	1852.9	1814.1	1785.2	1854.0 (9/1/80)	1615.8 (2/1)

	Jan. 10	Jan. 9	Jan. 8	Jan. 7	1979-80 High	1979-80 Low
AUSTRALIA						
Sydney All Ord. (1950/58)	777.79	769.38	764.28	768.77	777.79 (10/1/80)	545.72 (2/1/79)
Metals & Minls (1950/58)	4881.36	4780.96	4771.70	4808.84	4881.36 (10/1/80)	2587.34 (2/1/79)
AUSTRIA						
Credit Aktien (2/1/62)	68.98	68.88	68.85	68.46	69.40 (7/1/80)	61.55 (2/3)
BELGIUM						
Belgian SE (31/12/63)	102.10	102.59	102.16	103.10	109.47 (5/10)	98.80 (3/1/79)
DENMARK						
Copenhagen SE (1/1/73)	83.87	84.09	84.91	84.15	97.46 (25/7)	83.87 (10/1/80)
FRANCE						
CAC General (29/12/61)	(u)	104.5	(u)	100.4	115.1 (5/10)	82.4 (16/2)
Ind Tendance (28/12/79)	100.8	101.5	100.2	97.7	101.5 (9/1/80)	95.8 (3/1/80)
GERMANY						
FAZ-Aktien (31/12/58)	224.71	225.8	225.89	222.86	265.69 (18/1/79)	220.76 (3/1/80)
Commerzbank(Dec. 1953)	708.4	710.2	708.4	702.9	859.69 (16/1/79)	695.5 (3/1/80)
HOLLAND						
ANP-CBS General (1970)	84.4	84.8	85.6	85.5	84.2 (24/1/79)	82.7 (3/1/80)
ANP-CBS Indust. (1970)	68.0	68.2	87.7	67.1	85.9 (24/1/79)	65.7 (15/12)
HONG KONG						
Hang Seng Bank(31/7/64)	855.21	850.75	848.52	816.18	889.15 (2/1/80)	495.93 (2/1/79)
ITALY						
Banca Comm. Ital (1972)	88.08	87.79	88.80	88.55	93.36 (4/10)	68.38 (2/1/79)
JAPAN						
Dow Average (16/5/49)	6594.01	6591.83	6565.28	6552.65	6594.01 (10/1/80)	5925.87 (10/4)
Tokyo New SE (4/1/68)	459.56	459.92	456.14	456.24	465.24 (29/9)	435.13 (13/7)
NORWAY						
Oslo SE (1/1/72)	154.73	155.74	155.18	155.08	142.22 (13/12)	74.46 (16/1)
SINGAPORE						
Straits Times (1966)	440.15	459.75	436.22	453.06	440.15 (10/1/80)	346.54 (23/2)
SOUTH AFRICA						
Gold (1958)	(u)	505.7	518.0	521.6	540.5 (2/1/80)	229.40 (17/4)
Industrial (1958)	(u)	469.2	467.4	466.2	469.2 (9/1/80)	270.58 (2/1/79)
SPAIN						
Madrid SE (28/12/79)	99.56	99.47	99.51	(c)	100.75 (2/1/80)	99.47 (9/1/80)
SWEDEN						
Jacobson & P. (1/1/58)	545.98	545.75	545.46	548.70	401.34 (6/2)	551.57 (24/9)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	307.2	306.9	301.5	297.5	329.10 (2/8)	284.00 (5/1/79)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
LTV	831,900	11½	+⅛	U.S. Steel	561,100	20⅞	−⅞
IBM	806,700	65¾	−1⅜	Alcoa	518,800	57⅝	+⅞
Benguet	642,600	9⅞	+⅞	Xerox	504,100	63	−⅜
Boeing	587,000	56⅞	−1⅜	General Electric	500,900	54	−⅜
Exxon	572,900	52⅞	−⅛	Bethlehem Steel	456,000	24⅞	—

Spain Prices, Page 18

COMMODITIES and AGRICULTURE

Danish bacon goes up

By Our Commodities Staff

DANISH BACON will be dearer in the shops next week following a £30 rise in the first-hand price announced yesterday. This lifts the price to a record £1,270 a tonne. The first-hand prices of British and Ulster bacon remained at £1,220 a tonne.

ESS-Food, the Danish bacon importer, said the rise reflected a firmer market recently and was made necessary by a reduction in import subsidies resulting from the recent devaluation of the Green Pound—the artificial exchange rate at which EEC farm prices are translated into sterling.

The rise is equivalent to about 1½p a lb over a whole side of bacon.

Red meat prices were generally lower in the shops this week, according to figures published by the Meat and Livestock Commission yesterday. Topside and silverside beef was about 3p a lb cheaper while other cuts were down about 1p. Pork was generally 1p a lb cheaper. Prices of home killed lamb were down about 2p a lb from last week but New Zealand lamb was about 1p dearer.

Lower coffee crops forecast

PANAMA CITY — Central American coffee officials forecast the region's coffee production for 1979-80 will be about 1.5m bags (60 kilos each) less than 1978-79 because of a harsh winter.

They said the combined output of Guatefala, El Salvador, Costa Rica, Nicaragua and Honduras would be about 6.5m bags, against over 8m in 1978-1979.

Enrique Roche, president of the Guatemalan National Coffee Association, said the second production estimates of Central American coffee production made by the U.S. Department of Agriculture were too high.

"We are only now realising we will have a shortfall of about 1.5m bags, he added.

Apart from Nicaragua, delegates of the four other Central American countries are here with Brazil, Colombia, Venezuela and Mexico for a conference of thes Bogota group to try and halt falling world coffee prices.

Reuter

Lead falls to 13-month low

BY JOHN EDWARDS, COMMODITIES EDITOR

LEAD PRICES fell yesterday to the lowest level since December 1978 as the downward trend in the market continued. Cash lead closed £10.5 down at £434.5 a tonne—a loss of nearly £100 compared with a week ago. A significant feature is that cash lead is now cheaper than the three months quotation, at £436, signifying that the tight supply situation appears to be easing.

It was the shortage of nearby supplies that drove cash lead to over £700 last June and sustained the high price levels ever since. Now there is considerable nervousness that exports to the Soviet Union—the main buyer creating the shortage of supplies available to the market—will not be permitted.

So far the Soviet Union, which has been an active buyer of other commodities, does not appear to have sought to obtain lead although, of course, this could quickly change.

The decline in lead reflects the general nervousness in the base metal markets over the Afghanistan crisis. Normally military conflicts boost metals in anticipation of increased demand for armaments manufacture, but the reverse seems to have happened on this occasion except for aluminium where a shortage of supplies is feared.

Copper, for example, has lost £70 in the past week. Although prices closed marginally higher yesterday there was considerable selling pressure. Tin prices have fallen sharply too, undermined by the prospect of a resumption of sales of surplus stockpile tin.

Bolivia has complained to the Organisation of American States about the "economic aggression" shown by the U.S. in releasing stockpile tin. It also plans to protest strongly at the International Tin Council meeting this month. But it seems likely that the stockpile sales will go ahead, after all the trouble the Carter Administration has encountered in persuading Congress to authorise the sales.

Silver prices were higher yesterday, despite the decline in gold. Buying interest in the U.S. was stimulated by reports that Nelson Bunker Hunt has decided to take delivery of large quantities on the silver futures

Farm Ministers blamed for EEC overspending

BY RICHARD MOONEY

THE BLAME for the escalating cost of the EEC's common agricultural policy was laid at the door of the Council of Agricultural Ministers yesterday by Mr. Christopher Tugendhat, the Common Market budget commissioner.

He told farmers in Stafford the present crisis might have been avoided had the Council heeded the warnings given by the Commission "in clear and unmistakeable terms" over the last three years.

It was not the CAP itself which was intrinsically expensive, Mr. Tugendhat declared. "It is essentially the distortions of the policy which have increased costs."

He welcomed the Council's decision to involve Finance Ministers as well as Agricultural Ministers in the 1980-81 farm price talks. "This is a step forward in bringing financial considerations to bear on decisions concerning the CAP, and one very welcome to the Commission," he said.

The money to run the policy would run out soon if nothing was done to contain costs, he warned.

"No reasonable person can accept a system whereby support is given to production which is regularly and considerably in excess of market requirements," Mr. Tugendhat said.

But he insisted that the CAP was necessary and important for Europe. Changes were urgently required but these should be designed to improve the policy and eliminate its distortions and not to tear the CAP up by the roots.

"I cannot given you a recipe for profitable farming," the commissioner said. "What I can do is to give you the assurance that it is in the interests of all producers within the Community to see that the CAP remains strong."

Sugar pact quotas suspended

By Our Commodities Editor

WORLD SUGAR export quotas for 1980 were officially suspended yesterday by the International Sugar Organisation. The decision followed an all-day meeting of the organisations executive committee which ended after the London market had closed.

The suspension of export quotas came as some surprise, since it was thought the executive committee would seek to prevent a free-for-all by authorising another large rise in quotas so that it could retain some semblence of control over the market.

Evidently there was disagreement amongst member-countries and it was decided to abandon the fight to retain quotas, for the time being at least.

In fact, unless prices had dropped dramatically, export quotas would have been suspended automatically next Tuesday when the 15-day average price, under the agreement, would have been above 15 cents a pound for five consecutive trading days.

The suspension of quotas has, therefore, been largely anticipated by them arket and discounted. Despite the nervousness about quotas, prices were sharply higher in New York on Wednesday folowing rumours of buying by China and the Soviet Union. Lack of confirmation brought an easier tone on the London market yesterday.

Nevertheless the major question facing the market now is how much extra sugar supplies will become available as a result of the supsension of quotas. Some traders feel that little extra sugar will be offered until prices rise to much higher levels. But others think exporters will rush sales through in anticipation of quotas being imposed again.

Peru's fishmeal production up

WASHINGTON—Peruvian fishmeal production increased to 770,200 tonnes from 552,000 tonnes in the year to September 30, while exports increased to 704,200 tonnes from 445,600 tonnes,

Fishmeal stocks at the end of September were indicated at 66,000 tonnes,

Reuter

SOVIET GRAIN USAGE

The cost of inefficiency

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE EMBARGO on shipments of U.S. grain to the Soviet Union will certainly cause serious problems in that country. But if its agricultural sector was anywhere near as efficient as others in the developed world the imports would not have been necessary in the first place.

By EEC standards the USSR has more than a sufficiency of grain under its own control. This year's domestic grain harvest of 175m tonnes, for a country with 255m inhabitants, should be compared with a total availability in the European Community of roughly 130m tonnes for a population of some 260m. What is more, about 10m tonnes of the EEC crop will have to be exported.

Even more curious is that fact that the Soviet wheat crop for 1979, which has fallen by 35m tonnes to 85m is still more than double that which suffices the EEC, and a good deal of that has to be fed to livestock. What do the Russians do with it all?

Of course there is the possibility that some of it never existed in the first place. British and European statistics of farm production are I always think highly unreliable. I doubt if those from a Communist source are any better. I have never understood how any reliance can be placed on estimates, made often before the grain is even harvested.

The Soviet system of farming when I last saw it on the ground, admittedly 20 years ago, relied on a payment by results system for both state and collective farms. Plus a very vaguely defined private sector through which much of the livestock and vegetables supplies passed.

It would be all too easy for the farming administrators at the grass roots, to feed the central authorities with encouraging reports, or the reverse, which would have no relation at all to final deliveries. The shortfalls or surpluses could be ascribed to seasonal causes, the effects of pests and other excuses, well known to peasants and farmers everywhere.

With the above qualifications in mind it is interesting to note the disposal of the Russian Cereal availability including imports in recent years.

Significant here is the large amount of wastage amounting 29m tonnes on average, which would easily cover average imports, and is more than the total grain utilisation in the UK for instance.

It is also worth comparing the usage of feed grain with that in the EEC where over the five years ending 1977-78 it averaged 68m tonnes annually. Feed grains in the main are used for the production of livestock, meat, poultry and milk products. The table opposite shows how the USSR and the EEC compare in this.

In addition the Soviet Union imports considerable quantities of meat and butter more on an opportunist than a regular basis. In 1979 for instance butter imports from the EEC totalled, it is believed, more than 100,000 tonnes.

It appears that in terms of livestock production the Soviet Union, while using 70 per cent more grain as feed than the EEC actually produced substantially less with it. This is not altogether an indictment of the Russian system, there are other factors such as unfavourable soil and climatic conditions. But the lesson here is that if the USSR could use grain with an efficiency even halfway to that of the EEC farmers the need for U.S. imports even in years of severe drought would be minimal.

USSR Grain Imports (in million tonnes)

	1976/7	1977/8	1978/9
All grains	221	227	231
Use for seed	29	28	28
Industrial use	3	4	4
Human food	45	45	44
Wastage	31	29	28
Animal feed	112	120	125

Source: Agra Europe

Relative Production EEC and USSR in 1977 (in million tonnes)

	USSR	EEC
Milk	94	104
Hen eggs	3.5	3.8
Beef	7.1	6.3
Mutton	0.8	0.5
Pigmeat	5.1	8.4
Poultry meat	1.8	3.5
Relative Herd numbers		
Cattle	112	80
Pigs	70	73
Poultry	845	641
Sheep	141	53.5

Source: FAO

Argentina will not back grain embargo

BY OUR COMMODITIES EDITOR

ARGENTINA, the world's second biggest feedgrain exporting country, yesterday said it would not support the U.S. grains embargo against the Soviet Union. A Government statement said Argentina refused to participate in punitive decisions or attitudes adopted "without our previous involvement."

But Argentina said it would attend, as an observer, the meeting of leading grain exporting countries on Saturday in Washington called by the U.S., so that it can participate in the analysis of what will happen to the world marketing of grain.

Better news for the U.S., however, was that West German and Egyptian dockers are to support the boycott of shipments to the Soviet Union by U.S. longshoremen.

Heinz Kluncker, president of the West German Transport and Public Services Union, said in a newspaper interview: "We want to see to it that the boycott by our American colleagues will not be undermined in German harbours."

The decision by Argentina not to support the grains sales cutback is a major, although not entirely unexpected, blow to the U.S. It is estimated that Argentina might be able to supply up to 4m tonnes of feedgrains—the grain which the Soviet Union needs most to make up for the shortfall in supplies from the U.S.

Argentina reported only 1.6m tonnes of maize to the Soviet Union in 1979, as well as 1m tonnes of wheat. But it is thought sales could be stepped up substantially from the forthcoming crop.

On the Chicago Board of Trade, in the second day of trading after the two-day suspension, wheat prices rallied after opening well down following rumours of increased buying interest, especially from China, at the lower levels. Maize (corn) prices remained substantially down because it is sales of feedgrains that are mainly affected by the U.S. embargo.

Soyabean prices, however, rose firmly on some heavy buying interest. The cutback in soyabean sales to the Soviet Union represents only a relatively small proportion of total U.S. exports, unlike maize and wheat.

One leading trader on the world grain market already doubts whether the U.S. cutback will work, reports John Wicks from Zurich.

Jean-Louis Junod, general manager of Andre et Cie, of Switzerland, one of the world's big five grain shippers, claimed the U.S. measure would only be effective as a short-term sanction. He pointed out that the 1979 world harvest had been abundant and other countries, including Argentina, had surpluses which could fill the Soviet needs.

He forecast that in two or three months' time the slightest sign of remorse by the Soviet Union would persuade major grain exporters, such as the EEC, Canada and Australia, if not the U.S. itself, to resume normal shipments.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Firmer but well below the day's highest levels on the London Metal Exchange. The trend in overnight U.S. markets saw forward metal move ahead to the mid £1,040s on the early pre-market but thereafter the price fell away on lack of interest and [illegible]

... this level the market attracted covering against European physical business. In the afternoon values came under pressure from short selling but this was offset by covering against buying by U.S. steel mills, which enabled forward metal to close the late Kerb at £7,160. Turnover: 1,395 tonnes.

Morning: Standard, cash £7,225, 20, [illegible]

... £446, 47, 49, 48, 46, 45, 44, 42. Kerb: Three months £445, 46, 45, 44. Afternoon: Three months £443, 42, 40, 38, 37, 36, 35, 36. Kerb: Three months £436, 37, 35, 34, 32, 33, 34, 33, 32, 31, 30.

... second and third quarter cocoa beans and products although producers, light sellers Wednesday, were today withdrawn, reported Gill and Duffus.

RUBBER

PRICE CHANGES

AMERICAN MARKETS

EUROPEAN MARKETS

INDICES

FINANCIAL TIMES

MOODY'S

DOW JONES

REUTERS

SILVER

COFFEE

GRAINS

SOYABEAN MEAL

SUGAR

WOOL FUTURES

MEAT/VEGETABLES

COTTON

COCOA

Big demand leads to long tap exhaustion and strong tone in Gilt-edged sector—Leading shares follow

Account Dealing Dates
Options

*First Dealings	Declara-tions	Last Dealings	Account Day
Dec. 28	Jan. 10	Jan. 11	Jan. 21
Jan. 14	Jan. 24	Jan. 25	Feb. 4
Jan. 28	Feb. 7	Feb. 8	Feb. 18

* "New time" dealings may take place from 9.30 am two business days earlier.

A quiet day in stock markets was enlivened less than an hour before the official close yesterday on the announcement that the authorities' supply of the long tap stock had been exhausted following a heavy demand, reportedly in excess of £400m. Trading beforehand in the Gilt-edged market had been subdued with no visible sign of the impending event, although quotations had started to improve around noon from their earlier static levels.

The rush of investment funds into the long tap, Treasury 14 per cent 1998-2001, which ran the Government broker out of supplies at 96½, was not the only feature. Considerable overseas, notably Swiss, interest was displayed in War Loan 3½ per cent, which jumped ⅞ to 30¾, and other Irredeemables joined in the upturn.

After the official close, all sectors of the Gilt market made further gains and the exhausted tap closed at 97, having begun the day at 95¾. Continued specialist demand raised selected low-coupon shorts, and Treasury 3 per cent 1982 rose a point more to 85¾; the Government broker supplied more of the special low-coupon tap stock, Exchequer 3 per cent 1983, at 69¾. All tenders for the new short tap stock, Exchequer 14 per cent 1982, which begins life today and looks cheap compared with existing issues, were allotted in full.

Leading shares dithered for much of the session, unsettled by the spreading steel strike and by Wall Street's inability to extend Tuesday's strength. However, sentiment improved dramatically on the back of the late rise in Gilts to the effect that the FT 30-share index closed with a net gain of 7.3 at 420.8, after having recorded a loss of 1.1 at noon.

Golds also came back into vogue, encouraged by the resilience of the bullion price which held above $600 an ounce. Widespread buying from the Continent, South Africa and domestic sources lifted heavyweight gold shares by over two points and the FT Gold Mines index, at 280.5, regained 14 points of its previous two-day fall of nearly 20 points.

Demand for Traded options subsided and a total of 441 deals were arranged. This compares with 664 on Wednesday and 717 on Tuesday. ICI were relatively active, recording 105 contracts.

Banks dull

News that the Banking Insurance and Finance Union has fixed a claim for 25 per cent pay rises for English clearing bank staff *unsettled sentiment in banks*. Barclays drifted down to 395p before closing 8 off on balance at 398p, while Midland gave up 3 to 325p, after 323p. Elsewhere, First National Finance stood out with an improvement of 1½ to 10½p, after 11½p, following the sharp increase in annual earnings. Antony Gibbs edged forward a couple of pence to 70p awaiting further news of the bid approach from Hongkong and Shanghai, while Grindlays lost 4 to 126p on the withdrawal of speculative support.

The declaration from Lloyd's of London that it will not give its decision on foreign ownership of Lloyds brokers until April prompted a favourable reaction in Bowring, currently in receipt of a proposed 169p per share bid from Marsh and McLennan; after softening at the outset, Bowring rallied to close 4 better on balance at 137p. Willis Faber put on 3 to 220p and Stewart Wrightson hardened 2 to 178p. Following a Press assessment of the interim figures, Hogg Robinson improved a penny to 87p. Composites made progress with Royals 5 better at 3??p while General Accident, 226p, and GRE, 224p, rose 4 apiece.

Breweries attracted late support which erased earlier falls and the leaders tended to finish a penny or two up on the day. Regional issues also closed firmer although business was light. Boddingtons, 107p, and Vaux, 133p both added 2. Among Wines and Spirits, Distillers advanced 3 more to 204p for a rise of 7 since the announcement of spirit price increases. Highland closed a penny better at 141p following the defence to the Hiram Walker offer.

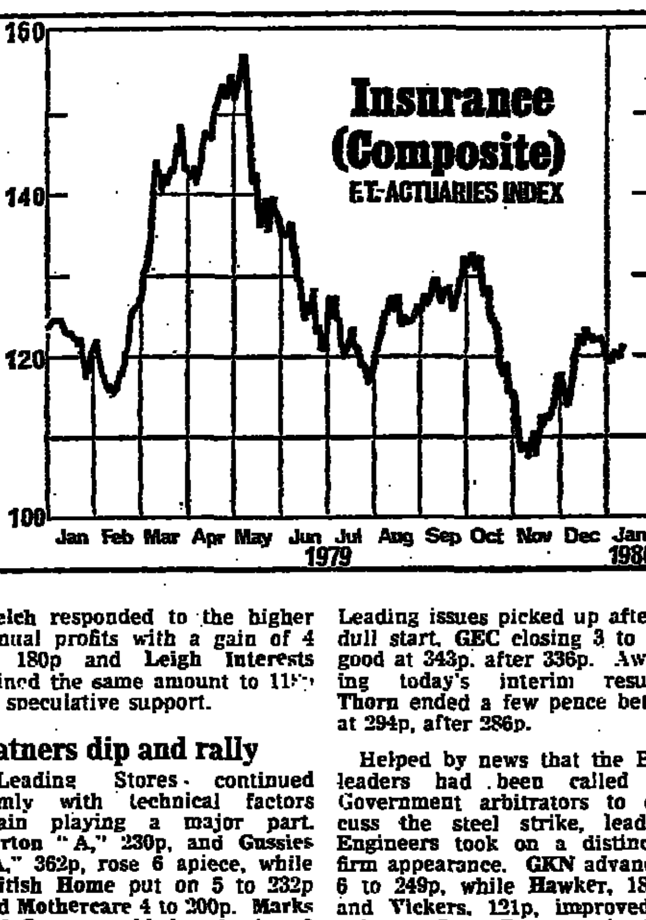
Although trading in Buildings remained sparse, the trend was to higher levels. Particularly depressed of late by the gloomy outlook for mortgage rates, the housebuilding sector attracted a few buyers with Percy Bilton improving 6 to 194p and Fairview Estates adding 3 to 183p. Arncliffe and Federated Land and Building picked up 2 apiece to 44p and 51p respectively, while Barratt Developments hardened a penny to 110p. Buying ahead of next Monday's annual results lifted Gough Cooper 6 to 74p. Elsewhere Taylor Woodrow, 323p, and S.G.B., 220p, both added 5. Rugby Portland Cement came in for support at 62½p, up 2½. Ellis and Everard put on 5 to 113p; the results are due at the end of the month.

ICI traded quietly around the overnight level of 363p before the appearance of buyers in late dealings lifted the price to 367p for a net gain of 4. Fisons found renewed support and also firmed 4, to 281p, while Laporte added 3 more to 100p. Hickson and Welch responded to the higher annual profits with a gain of 4 to 180p and Leigh Interests gained the same amount to 11?p on speculative support.

Ratners dip and rally

Leading Stores continued firmly with technical factors again playing a major part. Burton "A," 230p, and Gussies "A," 362p, rose 6 apiece, while British Home put on 6 to 232p and Mothercare 4 to 200p. Marks and Spencer added a further 3 at 88p as did Raybeck, to 74p. Although the interim statement was deemed highly satisfactory, Ratners fell to 54p before rallying in the later stages to finish a net penny harder on balance at 58p. Other jewellery concerns came in for some useful support with Ernest Jones again favoured at 180p, up 10. H. Samuel "A" rose 7 to 148p. K. O. Boardman eased a fraction to 11½p, after 11p, despite the return to profitability at the half-way stage. A firm market of late following satisfactory interim results, Stead and Simpson "A" rose 3 more to 46p on Press suggestions of a bid from UDS.

Stimulated by talk that the National Enterprise Board may be about to sell its holding, Ferranti encountered demand which continued into the late trading and finished with a rise of 27 at 452p. Occasional support was forthcoming for other secondary Electricals with Eurotherm improving 7 to 288p and rises of around 5 marked against Louis Newmark, 205p, United Scientific, 365p, and Kode, 204p.



Leading issues picked up after a dull start, GEC closing 3 to the good at 343p, after 336p. Awaiting today's interim results, Thorn ended a few pence better at 294p, after 286p.

Helped by news that the BSC leaders had been called by Government arbitrators to discuss the steel strike, leading Engineers took on a distinctly firm appearance. GKN advanced 6 to 249p, while Hawker, 188p, and Vickers, 131p, improved 4 apiece. John Brown gained 3 to 59½p. Elsewhere, Westland advanced afresh to 73p in response to comment on the annual results before easing on profit-taking to close a penny lower on balance at 68p. Still reflecting compensation hopes, Vosper firmed 5 more to 190p while satisfactory interim results left Camford 4 to the good at 56p. British Aluminium encountered further support at 215p, up 5. Williams and James improved a similar amount to 205p, while Starrite rallied 3 to 50p.

In firm Foods, Associated Dairies put on 5 to 178p ahead of the half-yearly results due at the end of the month. RHM rose 1½ to 44p on investment buying and British Sugar added a penny to 146p despite the chairman's none-too-optimistic remarks at the annual general meeting. Demand *in a thin market prompted a gain of 4 to 34p in* Taverner Rutledge, while Somportex added 5 to 95p in response to the interim results.

Interest in Hotels and Caterers increased and Grand Metropolitan ended 6 to the good at 137p. Trusthouse Forte, annual results due next Tuesday, firmed 3 to 143p. Savoy A continued to attract speculative buying and put on 8 for a two-day gain of 11 to 111p, but recently firm Queens Moat Houses encountered profit-taking following acquisition news and shed 1½ to 34p, after 33½p.

Extel good

Miscellaneous industrial leaders perked up after a rather uncertain start. With the help *of technical influences, prices* moved up sharply with Glaxo closing 12 higher at 460p and Metal Box 6 to the good at 242p. Beecham added 4 to 124p as did Boots, to 172p. Elsewhere, Extel rose 16 to 168p following demand in a thin market and BTR put on 10 to 291p after publicity given to a broker's favourable circular. De La Rue reflected Press comment with a rise of 20 at 585p and English China Clays hardened 1½ to 82½p in response to the better-than-expected preliminary results. Renewed investment support lifted Granada A 4 more to 148p, after 153p, while American Aid hopes continued to bolster Wilkinson Match, 3 better at 160p. Recently favoured following an investment recommendation, Broken Hill Proprietary rose 20 afresh to 628p. By way of contrast, Sothebys reacted sharply from a firm level of 410p to close a net 10 down on balance at 385p following late publication of the annual results.

The Leisure sector was featured by Pleasurama which put on 6 to 143p following the good annual results.

Motor Components remained firm; Dowty added 6 more to 166p, while Dunlop added a penny to 56p and Lucas hardened a few pence to 238p. Increased speculative demand helped Flight Refuelling to a rise of 12 at 197p. Elsewhere, Heron firmed a fraction to 34p ahead of today's interim results, while bid rumours continued to aid BSG, 1½ up at 29½p. Support was also forthcoming for Harold Perry, 4 better at 126p, and for T. Cowie, 3½ up at 46½p.

Despite the first-half loss, John Waddington jumped 11 to 128p on the maintained dividend and confident tone of the accompanying statement. Elsewhere in Paper/Printings, McCorquodale continued to benefit from the higher annual profits and rose 8 for a two-day gain of 23 to 111p, but Melody Mills were further depressed by the interim profits setback and eased 2 to 44p. Among Newspapers, Associated, 269p, and Daily Mail A, 453p, rose 6 and 5 respectively in front of today's mid-term statements.

Properties again made good progress as investors continued to shrug aside current record interest rates. Land Securities put on 5 for a two-day gain of 14 to 264p, while MEPC added 5 more to 170p and Hammerson A advanced 20 to 780p. Buyers also came for Great Portland Estates, which added 8 to 202p. Gains of 3 were marked against Samuel, 104p, and Slough Estates, 100p. Haslemere, 276p, Berkeley Hambro, 176p, and Scottish Metropolitan, 118p, all put on 4, while Avenue Close added 2 to 86p, the last-named in response to the higher half-yearly profits and proposed property revaluation.

Oils firm

Inclined easier at the start, Oil shares ended the day on a firm note. British Petroleum finished 6 to the good at 336p in the leaders while, among secondary issues, Siebens (UK) reacted to 436p before moving ahead again to close 6 higher on balance at 450p. Lasmo gained a similar amount to 350p, while Ultramar, 416p, and Cambridge Petroleum, 170p, firmed 4 and 5 respectively.

Golds rally

South African Golds staged a strong recovery after the losses sustained over the previous two days as the bullion price held above the $600 level, although it closed $9.50 lower at $600.50 an ounce.

Persistent and sizeable buying demand from London, Johannesburg and the Continent produced heavy gains throughout the list and the Gold Mines index recouped 14.0 at 280.5.

Among the heavyweights, Randfontein were outstanding with an improvement of £2⅜ at £27½, while gains of a point and more were seen in Buffels and Hartebeest, at £13¼ and £23¾ respectively.

Financials were generally quiet. In South Africans, De Beers dropped 21 more to 425p *following disappointment* with the Central Selling Organisation's 1979 sales figure. On the other hand, General Mining and Union Corporation attracted good demand and both added 20 to 740p and 565p respectively.

Minorco dipped 5 to 270p, corresponding to the price at which it is believed around 5½m shares are being *placed*.

A good two-way business was reported in London Financials. Gold Fields eased 2 to 420p, while disappointment that the Ashton progress report had failed to produce further interest in the participants' shares *in overnight Australian* markets affected sentiment in RTZ and Tanks. The former *slipped 6 to 348p and the latter* 8 to 266p.

In Australians, Ashton Mining gave up 8 to 162p, Northern Mining 2 to 156p and CRA a penny to 270p, after 267p.

Rumours of a possible financing deal concerning the Rundle oil-shale deposit lifted Central Pacific Minerals £1¼ to £18¾, after a 1979-80 high of £19¼, and Southern Pacific 30 to 715p, after a high of 730p.

Coppers were featured by ZCI which jumped 11 to 53p following a heavy demand from Continental sources.

FINANCIAL TIMES STOCK INDICES

	Jan. 10	Jan. 9	Jan. 8	Jan. 7	Jan. 4	Jan. 3	A year ago
Government Secs.	65.83	65.34	65.30	65.07	65.09	64.50	68.00
Fixed Interest	66.46	66.29	66.29	66.05	65.94	66.43	70.81
Industrial	430.8	423.5	415.6	419.9	415.9	406.9	477.3
Gold Mines	280.5	266.5	279.2	286.4	280.2	303.1	157.2
Ord. Div. Yield	7.66	7.68	7.83	7.75	7.85	7.97	6.06
Earnings, Yld. % (full)	18.82	19.12	19.48	19.29	19.54	19.85	15.90
P/E Ratio (net) (*)	6.54	6.44	6.32	6.38	6.30	6.21	8.17
Total bargains	19,399	18,849	19,784	20,425	20,578	19,856	—
Equity turnover £m	—	93.65	88.16	71.20	82.06	98.11	157.80
Equity bargains total	—	12,312	13,706	14,116	15,679	14,787	12,891

10 am 423.8. 11 am 422.7. Noon 422.4. 1 pm 423.8.
2 pm 424.0. 3 pm 426.4.
Latest Index 01-246 8026.
* Nil=6.31.
Basis 100 Govt. Secs. 15/10/26. Fixed Int 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979/80 High	1979/80 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/5)	65.30 (10/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (5/5)	64.06 (15/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	406.3 (15/11)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	303.1 (3/1/80)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 10	Jan. 9
—Daily		
Gilt Edged	124.0	135.4
Industrials	100.2	105.8
Speculative	71.1	84.2
Totals	75.4	78.6
5-d'y A'v'r'ge		
Gilt Edged	136.9	134.6
Industrials	107.8	105.8
Speculative	110.4	124.9
Totals	82.5	82.2

NEW HIGHS AND LOWS FOR 1979/80

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979-80.

NEW HIGHS (26)

BRITISH FUNDS (1)
Treas. 14pc '98-01
BANKS (1)
First Natl. Finance
STORES (1)
Mothercare
ELECTRICALS (4)
EMI 8½pc Conv. Pifco A
Ferranti United Scientific
ENGINEERING (1)
Westland
INDUSTRIALS (2)
De La Rue Wood Hall
PROPERTY (1)
HK Land
SHIPPING (1)
Common Brothers
SOUTH AFRICANS (1)
Greatermans A
TEXTILES (1)
Vita-Tex
TRUSTS (2)
Lond. Merch. Secs. West of England
OIL & GAS (2)
Siebens (U.K.) Woodside
RUBBERS (1)
Guthrie
MINES (7)
Doornfontein Central Pacific
Venterspost Southern Pacific
Loraine Malay Dredging
BH South

NEW LOWS (19)

AMERICANS (1)
Texaco
BUILDINGS (3)
Internatl. Timber Streeters
Miller (Stanley)
STORES (4)
Amber Day Rosgill
Kunick Sunrie
ELECTRICALS (1)
Audiotronic 12pcCnv.Pf.
ENGINEERING (1)
Priest (Ben.)
INDUSTRIALS (3)
Biddle Plastigram
Hawkins & Tipson
LEISURE (2)
Boosey & Hawkes Howard & Wyndham
MOTORS (1)
Dana Corp.
PAPER (2)
BPC Melody Mills
TEXTILES (1)
Radley Fashions

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	83	—	2
Corpns. Dom. and Foreign Bonds	13	2	51
Industrials	448	144	834
Financial and Prop.	143	51	285
Oils	14	11	17
Plantations	6	—	16
Mines	39	25	58
Others	27	14	46
Totals	730	305	1,401

LONDON TRADED OPTIONS

Option	Ex'rcise price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	375	½	18	12	—	—	—	384p
BP	390	—	—	—	—	21	6	"
Com. Union	130	8	—	17	5	20	—	137p
Cons. Gold	390	34	12	57	2	74	—	420p
Cons. Gold	420	13	11	38	1	56	—	"
Cons. Gold	460	4	47	21	—	36	—	"
Courtaulds	70	6	1	11	—	13	—	75p
Courtaulds	80	1½	—	5½	7	7	5	"
Courtaulds	90	¼	—	3	—	4½	15	"
Courtaulds	100	¼	10	—	—	—	—	"
GEC	300	45	2	58	—	73	—	343p
GEC	330	15	10	36	—	52	—	"
GEC	360	1½	7	20	6	36	—	"
Grand Met.	128	7½	48	—	—	—	—	134p
Grand Met.	130	—	—	14½	5	20	—	"
Grand Met.	160	—	—	4	—	8	9	"
Grand Met.	178	¼	7	—	—	—	—	"
ICI	330	35	5	43	—	60	—	364p
ICI	360	6½	61	23	—	40	5	"
ICI	390	½	16	10½	18	22	—	"
Land Secs.	260	6	27	23	5	30	—	261p
Land Secs.	300	½	—	7	—	12	1	"
Marks & Sp.	80	8	15	13	7	15	—	86p
Marks & Sp.	90	1	—	6	13	9	9	"
Marks & Sp.	110	¼	—	1½	—	3	8	"
Totals			297		66		58	
		February		May		August		
Imperial Gp.	80	2	—	4	20	6½	—	75p
Totals			—		20		—	

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur., Jan. 10, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed. Jan. 9 Index No.	Tues. Jan. 8 Index No.	Mon. Jan. 7 Index No.	Fri. Jan. 4 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	217.56	+1.2	19.79	7.10	6.40	215.09	212.71	213.82	211.62	234.64
2	Building Materials (27)	200.39	+1.0	19.62	7.48	6.54	198.46	196.62	196.82	194.79	287.78
3	Contracting, Construction (29)	319.38	+0.8	28.91	7.51	4.28	316.80	316.73	317.41	314.57	357.24
4	Electricals (15)	567.20	+1.1	14.21	4.38	9.39	560.77	553.64	555.37	551.25	547.61
5	Engineering Contractors (11)	281.44	+2.1	27.55	9.09	4.64	275.61	275.31	279.56	277.46	364.22
6	Mechanical Engineering (74)	153.40	+1.3	21.67	8.45	5.74	151.44	149.29	150.46	148.61	183.59
8	Metals and Metal Forming (16)	149.19	+1.1	22.32	10.18	5.40	147.54	145.54	147.22	144.93	162.43
	CONSUMER GOODS										
11	(DURABLE) (50)	200.62	+0.9	17.90	6.06	6.88	198.86	191.96	192.73	189.68	210.77
12	Lt. Electronics, Radio, TV (15)	276.05	+0.9	14.08	4.65	9.06	273.62	260.65	260.99	255.67	267.30
13	Household Goods (14)	112.83	+0.5	26.83	9.60	4.51	112.24	112.70	112.72	112.06	166.51
14	Motors and Distributors (21)	105.41	+0.9	25.46	8.78	4.64	104.42	103.18	104.36	103.61	121.42
	CONSUMER GOODS										
21	(NON-DURABLE) (173)	211.67	+1.7	18.91	7.11	6.54	208.13	204.87	205.39	202.84	209.89
22	Breweries (14)	256.49	+0.6	17.06	6.82	6.88	255.02	252.59	254.12	251.88	231.27
23	Wines and Spirits (5)	304.05	+1.4	17.85	6.09	6.91	300.00	294.50	296.09	292.80	289.82
24	Entertainment, Catering (17)	288.11	+3.2	18.34	6.85	7.08	279.25	276.99	279.11	272.58	273.01
25	Food Manufacturing (19)	193.84	+0.7	20.91	7.50	5.92	192.56	190.25	190.87	189.79	208.22
26	Food Retailing (15)	302.42	+1.9	13.62	4.69	8.78	296.92	291.10	294.18	290.59	231.35
32	Newspapers, Publishing (13)	399.67	+1.7	22.85	7.23	6.05	392.87	388.65	387.23	384.58	306.19
33	Packaging and Paper (15)	115.12	+0.9	25.80	9.86	4.99	114.14	113.24	114.12	112.95	134.60
34	Stores (43)	204.28	+2.2	15.07	5.55	8.57	199.88	194.49	193.91	191.09	194.90
35	Textiles (23)	128.09	+1.6	28.40	12.64	4.47	126.09	124.91	125.69	124.85	180.90
36	Tobaccos (3)	207.92	+2.7	27.42	10.72	4.12	202.45	201.87	200.86	197.40	235.71
37	Toys and Games (6)	45.63	−1.1	35.87	15.69	3.52	46.15	45.43	46.71	45.77	90.59
41	OTHER GROUPS (98)	191.95	+1.3	16.29	7.00	7.47	189.51	186.82	188.18	185.89	198.01
42	Chemicals (18)	285.74	+1.4	16.98	6.95	6.80	282.72	279.21	282.30	279.39	276.62
43	Pharmaceutical Products (7)	203.95	+2.5	12.49	6.27	9.77	198.98	194.53	196.46	192.92	246.69
44	Office Equipment (6)	104.89	+1.4	19.03	8.04	6.56	103.40	103.19	104.07	103.24	148.19
45	Shipping (10)	411.53	−0.8	12.86	7.85	9.92	414.68	414.21	416.48	423.84	423.14
46	Miscellaneous (57)	222.97	+0.9	17.62	7.07	7.20	220.96	217.32	217.86	214.87	213.83
49	INDUSTRIAL GROUP (493)	214.30	+1.4	18.42	7.00	6.73	211.33	208.05	208.97	206.46	220.02
51	Oils (7)	680.76	+1.1	16.54	7.02	6.53	673.25	668.86	670.56	684.42	507.82
59	500 SHARE INDEX	251.30	+1.3	18.04	7.01	6.69	247.96	244.57	245.56	244.25	243.98
61	FINANCIAL GROUP (117)	181.11	+0.7	—	6.10	—	179.86	179.23	179.69	177.95	172.88
62	Banks (6)	210.59	−0.9	39.49	6.17	3.23	212.40	214.02	216.53	215.25	208.04
63	Discount Houses (10)	219.83	+1.0	—	9.02	—	217.74	213.01	213.01	213.01	218.05
64	Hire Purchase (5)	167.39	+0.5	21.16	5.68	5.98	166.57	164.25	165.22	163.32	165.30
65	Insurance (Life) (10)	153.11	+0.1	—	6.87	—	152.99	152.94	153.36	153.45	137.14
66	Insurance (Composite) (8)	121.41	+1.2	—	8.02	—	119.93	120.09	119.33	118.59	122.87
67	Insurance Brokers (10)	277.08	+1.0	18.00	7.08	7.95	274.28	276.20	271.64	258.22	311.49
68	Merchant Banks (14)	89.16	+0.1	—	6.68	—	89.03	88.25	87.51	87.62	80.29
69	Property (44)	323.68	+2.4	4.07	3.32	35.19	315.99	309.57	311.79	307.21	275.62
70	Miscellaneous (10)	122.64	−0.1	15.50	7.39	8.39	122.75	121.45	121.54	121.20	112.93
71	Investment Trusts (109)	195.37	+0.7	—	6.27	—	194.10	191.64	192.53	190.63	207.59
81	Mining Finance (4)	172.82	−1.1	13.34	5.12	9.10	174.70	171.77	173.55	170.21	104.92
91	Overseas Traders (20)	338.81	+1.5	14.81	7.40	8.15	333.65	330.99	333.11	332.51	311.52
99	ALL-SHARE INDEX (750)	233.56	+1.1	—	6.77	—	230.95	228.22	229.15	227.61	224.60

FIXED INTEREST PRICE INDICES

	British Government	Thur., Jan. 10	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	101.08	+0.39	—	0.08
2	5-15 years	104.34	+0.60	—	0.00
3	Over 15 years	108.21	+0.79	—	0.00
4	Irredeemables	123.14	+1.67	—	0.00
5	All stocks	104.26	+0.61	—	0.03

FIXED INTEREST YIELDS

	British Govt. Av. Gross Red.		Thur., Jan. 10	Wed. Jan. 9	Year ago (approx.)
1	Low Coupons	5 years	12.31	12.43	9.77
2		15 years	12.43	12.54	11.56
3		25 years	12.53	12.67	12.37
4	Medium Coupons	5 years	14.47	14.64	12.86
5		15 years	14.22	14.32	12.95
6		25 years	14.14	14.24	12.95
7	High Coupons	5 years	14.92	15.05	12.96
8		15 years	14.75	14.86	13.49
9		25 years	14.45	14.56	13.47
10	Irredeemables		11.93	12.13	12.12

		Thurs., Jan. 10 Index No.	Thurs., Jan. 10 Yield %	Wed. Jan. 9	Tues. Jan. 8	Mon. Jan. 7	Friday Jan. 4	Thurs. Jan. 3	Wed. Jan. 2	Mon. Dec. 31	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	49.26	†14.99	49.36	49.13	49.12	49.28	49.24	49.33	49.36	54.78
16	Investment Trust Prefs. (15)	46.49	14.46	46.45	46.45	46.45	46.34	46.34	46.34	46.34	51.33
17	Coml. and Indl. Prefs. (20)	61.32	14.61	61.28	61.24	61.24	61.32	61.36	61.31	61.23	72.41

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 14p, by post 22p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979-80 high	1979-80 low
Bowater	£1	8	145	+ 3	209	136
Cons. Gold Fields	25p	8	420	− 2	429	178
Barclays Bank	£1	7	398	− 8	514	360
Heath (C. E.)	20p	7	206	+ 1	280	160
Imp. Cont. Gas	£1	7	622	+	630	358
LASMO	25p	7	350	+ 6	398	124
Marks & Spencer	25p	7	88	+ 3	134	76
Racal Electronics	25p	7	207	− 1	276	168½
RTZ	25p	7	348	− 6	362	226
Thorn Elect.	25p	7	294	+ 2	482	262
Westland Aircraft	25p	7	68	− 1	73	31
BAT Inds.	25p	6	253	+10	382	230
Bowring (C. T.)	25p	6	137	+ 4	148	98
ICI	£1	6	367	+ 4	415	314
Western Mining	A$0.50	6	192	+ 7	205	121

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Jan. 7	Jan. 18	Apr. 10	Apr. 21
Jan. 21	Feb. 1	Apr. 24	May 6
Feb. 4	Feb. 15	May 8	May 19

For rate indications see end of Share Information Service

Money was given for the call in BSG, Premier Oil, Status Discount, Ladbroke Warrants, Christopher Moran C. T. Bowring, Grattan Warehouses, Lonrho, Burmah Antony Gibbs, Charterhall, Metalrax, KCA, Pennine Motor, Dunlop and *Bank of Scotland*. A put was done in J. E. Sanger, while doubles were arranged in Lonrho and Charterhall.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p:	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p:	+ or −
[illegible]							

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561
Lloyds Tst. O'seas 55.6 58.5 +0.2 2.29
Next dealing January 17.
Lloyds Trust Gilt £9.11 9.12 — 13.50
Next dealing Jan. 16.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland).
Lloyds Int. Growth SF403.50 432.00 — 1.00
Lloyds Int. Income SF281.50 280.00 — 6.40

M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588

Rothschild Asset Mgt. (Bermuda)
P.O. Box 664, Bk. of Bermuda Bld., Bermuda
Reserve Assets Fd. US$9.61 9.82 — —
Prices on Dec. 31. Next dealing Jan. 9.

Royal Trust (C.I.) Fd. Mgt. Ltd.
P.O. Box 194, Royal Tst. Hse., Jersey. 0534 27441

Save & Prosper International

TSB Gilt Fund Managers (C.I.) Ltd.
10 Wharf St., St. Helier, Jersey (CI).
Prices on January 9.

Tokyo Pacific Holdings N.V.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	46.8	49.5	+0.3	2.02
Abbey Capital	33.6	36.3	+1.3	5.73
Abbey General	44.9	40.6	+0.1	5.44
Abbey Gilt & F.I. Tst.	96.6	102.8	-0.1	4.86
Abbey Income	38.7	41.8	—	8.95
Abbey Intl. Bd. Tst.	94.8	99.3	-0.1	5.74
Abbey Inv. Tst. Fnd.	32.9	35.5	+0.1	6.38
Equitas Prog. Trust	64.6	69.8	—	6.03

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref.	90.2	94.9	+0.7	13.38

Allied Hambro Group (a)(g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	69.4	74.3	+0.4	6.46
Brit. Inds. Fund	63.4	67.8	+0.1	6.64
Growth & Income	37.4	40.0	+0.2	6.30
Elect. & Ind. Dev.	34.3	36.7	+0.1	5.72
Allied Capital	69.9	74.8	+0.1	5.75
Hambro Fund	107.3	114.8	+0.2	6.48
Hambro Acc. Fund	132.6	141.9	+0.2	5.67
Income Funds				
High Yield Fd.	66.1	70.7	+0.5	10.18
High Income	64.3	68.8	+0.2	8.28
A. H. Eq. Inc.	37.0	39.6	-1.3	8.01
International Funds				
International	27.2	29.1	+0.1	2.76
Pacific Fund	42.0	44.9	+0.1	2.83
Secs. Of America	57.9	61.9	+0.3	2.36
Specialist Funds				
Smaller Co.'s Fd.	43.8	46.9	+0.3	5.01
2nd Smlr. Co's Fd.	53.0	56.7	+0.4	4.76
Recovery Sits.	105.2	112.9	+0.4	6.90
Met. Min. & C'dty.	51.5	55.1	+0.3	5.35
Overseas Earnings	53.6	57.4	-0.2	5.92
Exempt Funds				
Far East Exempt	50.2	52.2	+0.2	3.38
Smaller Co. Exempt	67.7	71.1	+0.5	5.49
U.S.A. Exempt	102.4	106.5	+0.3	3.29

Anderson Unit Trust Managers Ltd.

Discretionary Unit Fund Managers
22 Blomfield St., EC2M 7AL. 01-638 4485

Dis. Inc. Jan. 10	183.9	190.0	+1.5	6.22

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.6	19.3	—	6.01
Gt. Winchester O'seas	19.6	21.8	—	2.52

Emson & Dudley Tst. Mngmnt. Ltd.
20 Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	69.6	74.8	—	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	69.8	72.4	+0.3	5.37

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891

American	24.9	26.7	-0.3	1.0
Fixed Interest	24.1	25.4	—	13.2
Growth + Income	26.6	28.1	+0.2	8.20
Special Sits.	25.2	26.8	+0.2	3.0

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	26.1	28.1	—	2.22
Accum. Units	31.7	34.1	—	2.22
J. Finlay High Income	31.8	34.2	—	8.68
J. Finlay Euro.Fin.	23.4	25.2	—	3.58
Accum. Units	28.9	31.1	—	3.36
J. Finlay Fd.In.Tst.	28.9	31.1	—	5.89
Accum. Units	34.9	37.5	—	5.89

Prices on Jan. 9. Next dealing Jan. 16.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American	50.2	53.4	—	1.37
American Turnaround	50.4	53.6	—	2.00
Capital Tst.	48.2	51.2	+0.4	5.30
(Accum. Units)	48.2	51.2	+0.4	5.30
Income Tst.	34.0	36.0	+0.2	8.06
Int. Growth Fd.	41.6	44.2	+0.4	2.28
(Accum. Units)	44.0	46.6	+0.4	2.28

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	45.0	48.1	+0.1	5.30
Do. Accum.	62.0	66.3	+0.1	5.30

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Jan. 4	103.4	104.9	—	5.53
Gross Inc. Jan. 4	69.8	70.5	—	11.77
High Yield Jan. 4	80.6	82.5	—	10.42

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

NOTES

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

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NOTES

† Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
φ Excluding a final dividend declaration.
✻ Regional price.
‖ No par value.
§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	**IRISH**		
Bertam	15	......			
Bdg'wtr. Est. 50p	350	......	Conv. 9% '80/82	£88⅞	......
Clover Croft	38	......	Nat. 9¾% 84/89	£69⅝xd	......
Craig & Rose £1	£10½	......	Fin. 13% 97/02	£83	......
Dyson (R. A.) A	7	......	Alliance Gas	66	......
Fife Forge	39	−4	Arnott	340	......
Finlay Pkg. 5p	19	......	Carroll (P.J.)	51xd	−1
Graig Ship. £1	825	......	Clondalkin	85	......
Higsons Brew	80	+1	Concrete Prods.	88	......
Holt (Jos) 25p	255	......	Heiton (Hldgs.)	31	......
I.O.M. Stm. £1	165	+3	Ins. Corp.	200	......
Pearce (C. H.)	350	......	Irish Ropes	66xd	−6½
Peel Mills	29	......	Jacob	33	......
Sheff. Refrshmt	98	......	T.M.G.	135	......
Sindall (Wm.)	165	......	Unidare	80	......

OPTIONS
3-month Call Rates

Industrials		I.C.I.	20	Tube Invest.	27
A. Brew	8	"Imps"	8	Unilever	40
BOC Intl.	6	I.C.L.	45	U.D.T.	4
B.S.R.	5	Inveresk	5	Utd. Drapery	10
Babcock	12	KCA	3½	Vickers	18
Barclays Bank	30	Ladbroke	17	Woolworths	6½
Beecham	13	Legal & Gen.	14		
Blue Circle	25	Lex Service	11	**Property**	
Boots	17	Lloyds Bank	24	Brit. Land	7
Bowaters	16	"Lofs"	3½	Cap. Counties	9
B.A.T.	25	London Brick	6	Land Secs.	25
Brown (J.)	7½	Lonrho	6	MEPC	17
Burton 'A'	25	Lucas Inds.	20	Peachey	13
Cadburys	5½	"Mams"	15	Samuel Props.	14
Courtaulds	8	Mrks. & Spncr.	10	Town & City	2
Debenhams	6	Midland Bank	30		
Distillers	21	N.E.I.	5	**Oils**	
Dunlop	6	Nat. West. Bank	28	Brit. Petroleum	35
Eagle Star	14	P & O Dfd.	10	Burmah Oil	15
E.M.I.	12	Plessey	10	Charterhall	5
Gen. Accident	21	Racal Elect.	22	Premier	4
Gen. Electric	35	R.H.M.	4½	Shell	38
Glaxo	48	Rank Org.	18	Ultramar	22
Grand Met.	13	Reed Intnl.	17		
G.U.S. 'A'	30	Sears	5½	**Mines**	
Guardian	23	Spillers	4½	Charter Cons.	16
G.K.N.	22	Tesco	7	Cons. Gold	32
Hawker Sidd	16	Thorn	35	Rio T. Zinc	26
House of Fraser	14	Trust Houses	14		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Friday January 11 1980

BL negotiators given carte blanche

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS senior shop stewards authorised their negotiators yesterday to "call any action necessary" in support of their 30 per cent pay claim.

However, the militancy of the resolution adopted by the 400 stewards in Coventry belies serious divisions in their ranks.

Many stewards feel that the 90,000 workers would offer little support even for limited action, let alone a total strike. Pressure is mounting from the shop floor for the unions to accept the 5 per cent pay offer, with the chance to earn up to an extra £15 a week in a self-financing incentive scheme.

BL Cars senior directors, meeting last night to consider their response, must have realised that they have a good chance of success in implementing a pay agreement that demands fundamental changes in working practices.

Mr. Grenville Hawley, the national automotive secretary for the Transport and General Workers' Union, said that shop stewards rejected "the strings" attached to the pay offer. The trade unions would not concede "mutuality"—the function of shop stewards in negotiating manning levels and the pace of the job.

He said that his union would not allow the company to impose the deal unilaterally. BL management was looking for a "blank cheque." The changes required would "create havoc" on the shop floor as groups of workers acted independently.

"The reaction from the shop floor would be something we on the trade union side would not be able to contain."

In spite of such warnings, BL management might be prepared to run the risk. Mr. Geoff Armstrong, the employee relations director, has emphasised that new working practices are essential if the company is to survive.

When he meets the union negotiators next Monday, he can be expected to repeat that the company can make no further concessions and that time for negotiations is running out.

The unions will be anxious to keep talking and leave the company to make the next move. They realise that plants such as Triumph, Coventry, and Castle Bromwich, Birmingham, which are due to be almost completely phased out, will not support a militant line.

As in previous breakdowns on pay talks, an option for the company would be to approach the executive of the Confederation of Shipbuilding and Engineering Unions. BL might point to the 7-to-1 vote in favour of the company's rescue plan and argue that it has a mandate from the workforce to push through the necessary changes in working practices.

New TV channel may be shelved because of cost

BY ARTHUR SANDLES

THE HIGH projected cost of setting up a fourth television channel has led to an intense debate within the Cabinet which may cause the proposals to be shelved.

Publication by Mr. William Whitelaw, Home Secretary, of a Bill to set up the channel has been delayed from its planned date in November. Last night the Home Office said publication should be in a few weeks.

Although public opposition to the Whitelaw plan for TV-4 has focused on the power it gives to the present commercial television contractors, the doubts within Government stem from different origins.

It is understood that the Prime Minister has been made aware that the setting up of the fourth channel could be an expensive exercise for the Exchequer. Establishing a channel which may cost more than £40m, and running it—an expense variously estimated at between £60m and £120m a year—is likely to bite deep into ITV profits.

"The profits received by the ITV companies, of which some five-sixths pass to the Government in levy and tax, will be diminished for the first year or two at least," says the Independent Broadcasting Authority.

The Exchequer levy is made on television company profits before Corporation Tax. In the last financial year ITV paid some £69m in such levies, a figure which is seen at risk when the Government is looking for savings and increased revenue.

Mr. Whitelaw's plans for the channel, which include its financing by the ITV contractors and its ultimate control by the IBA, need Cabinet's final approval. As far as the Home Office is concerned the Bill is written and ready to roll.

The official line is that the Cabinet meetings are "part of a series of discussions." However, broadcasting has usually been left in the past to the Minister concerned.

The concern that may be in Mrs. Margaret Thatcher's mind over costs is likely to be encouraged by others of her colleagues who think that the fourth channel should be a completely new operation financed by advertising and in direct competition with the BBC and ITV. Sir Keith Joseph is believed to champion this view.

It is believed that such a plan would encourage new money into the industry rather than sapping ITV's resources. The idea has enthusiastic support from the advertising industry which considers the ITV companies to be exploiting what they see as a monopoly position. But it is fiercely opposed by both the BBC and ITV. They feel it would lead to an American-style degradation of service.

Gaullists challenge for presidency

BY ROBERT MAUTHNER IN PARIS

THE GAULLIST Party, whose opposition to the French Government provoked the recent row over the 1980 budget and its subsequent annulment by the Constitutional Council, is to field its own candidate in next year's presidential election.

Although the name of the candidate—who will probably run against President Giscard d'Estaing and Socialist and Communist contenders—has not been revealed, no one doubts that he will be M. Jacques Chirac, the Gaullist leader. M. Chirac is due to break his self-imposed silence over the past few months at a Press conference in the middle of February.

The announcement by M. Bernard Pons, the party's secretary-general, that the Gaullists would present a candidate in the election, hardly comes as a surprise, since the Gaullists have constantly criticised President Giscard and M. Raymond Barre, his Prime Minister, over the past two to three years. But this is the first time that the party's intentions have been set out so clearly.

In a radio interview, M. Pons even explained what his party's policy would be if the Gaullist candidate were knocked out in the first round of the election. Under no circumstances would the Gaullists back a Socialist or Communist candidate for the Presidency, he said.

The clear implication is that the Gaullists would urge their supporters to vote for President Giscard in the final ballot, if their own representative were eliminated previously.

M. Pons repeated the Gaullists' assurance that they would not vote for a censure motion which would bring down the present Government, as long as President Giscard and M. Barre respected the fundamental principles on which the Centrist-Gaullist coalition was based.

He cited as an example of the issues that could lead the Gaullists to censure the Government in Parliament a decision by France to rejoin NATO's integrated military structure or the Government's agreement to a fundamental reform of the EEC's agricultural policy.

The Gaullists have adhered strictly to their strategy of "flexible opposition" during the debate on the 1980 budget, which has been re-introduced in the National Assembly virtually unchanged, after its Christmas Eve annulment by the Constitutional Council on a procedural point.

M. Barre has been forced for the sixth time since the start of October to employ an extraordinary constitutional procedure whereby a Bill is adopted automatically unless a censure motion is supported by an absolute majority of National Assembly Deputies.

The receipts side of the budget was adopted on Wednesday night, thanks to the Gaullists' refusal to vote for Socialist and Communist censure motions. The same procedure will be used to push through the expenditure provisions.

Sweden to curb spending growth

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SWEDEN'S non-socialist Government is making the first attempt for decades to curb the pace of growth in public spending. The 1980-81 Budget, submitted yesterday, seeks to limit public and private consumption to create room for expansion in exporting industries, according to Mr. Ingemar Mundebo, Budget Minister.

With a few exceptions, he has cut Ministries' demands by 2 per cent after allowing for price and wage increases. He has postponed some allocations to local authorities and proposes to discuss with them further ways of restraining their spending.

Nevertheless, Mr. Mundebo's Budget shows a record deficit of Skr55bn (£6bn), on an overall expenditure of Skr204bn.

The most dramatic cut is in the Industry Ministry's budget, reduced by just over Skr4bn to Skr5.9bn. The Government is sharply reducing the subsidies to faltering industries, such as the shipyards, which featured so heavily in the last Budget.

Reductions are also being made in food and housing subsidies, but, as Mr. Mundebo points out, more than seven-tenths of Budget expenditure forms transfers to the public, local authorities and industry, most of which entail automatic increases.

The growth in overall spending has been restricted to 9.3 per cent, compared with 16 per cent in the 1979-80 Budget. That implies that in real terms, Government consumption will not increase in 1980-81, Mr. Mundebo says.

No tax increases are included in the Budget. In the accompanying Finance Plan, Mr. Gösta Bohman, Economy Minister, states that Swedes carry "the highest tax burden in the world." It was possible to improve public finance and reduce the Budget deficit by sharpening taxation.

Instead, a determined effort had to be made during the 1980s to make the public sector more effective. The target would be to parallel the increase in public spending with the growth in annual GNP. In the past 20 years public spending has increased on average by 6-7 per cent a year.

The main objective in the new coalition Government's economic policy would be to lay the foundation for export growth, Mr. Bohman said. The Budget therefore includes higher spending on industrial research and development, increased export finance support and greater financial backing for small and medium-sized businesses.

The Finance Plan foresees 3.6 per cent GNP growth this year and expects industrial investment, which lagged behind last year's general economic recovery, to rise by 10 per cent. The growth in private consumption is expected to decline from last year's 3 per cent to about 1.5 per cent.

The foreign payments deficit is scheduled to grow from SKr 8.6bn last year to slightly more than SKr 12bn. The bill for imported oil will rise.

Mr. Bohman estimates that Sweden will need to borrow between SKr 10bn and SKr 15bn (£1bn-£1.5bn) abroad this year. The fastest-growing item in the current Budget is public debt repayment.

Shipyard closurs, Page 3

EEC grant for Aberdeen ferry terminal

ABERDEEN Harbour Board has received a 30 per cent grant from the EEC towards the cost of its £500,000 roll-on, roll-off floating ferry terminal. The terminal was installed last spring as part of the Board's drive to attract more north European and Scandinavian trade to the port. So far it has had no success.

It was originally hoped that the Nordenfjeldske Line, already operating between Aberdeen and Norwegian ports, would use the terminal, Aberdeen's second.

Loan to East Germany cut to $100m

By Francis Ghilès

A LOAN by a group of major Western banks to East Germany has been severely curtailed. This is believed to be a result of the crisis in relations between the U.S. and the Soviet Union as well as the poor conditions in the international capital markets.

Negotiations had been under way since last autumn for the East German Foreign Trade Bank to raise a $150m eurocurrency loan. The management group for this loan includes Bank of America, Barclays Bank International, Bank of Nova Scotia, and Republic National Bank of Dallas.

The size of the loan has been reduced to $100m and the managers decided that it should be fully underwritten before it was put into the market in New York last Tuesday.

The terms the borrower is paying do not however appear to have been affected by the current crisis. They include a margin over the U.S. prime rate of ½ per cent for eight years with a four-year grace period.

The same day, in Frankfurt, a loan was signed for the Romanian Foreign Trade Bank in the offices of the lead manager, Deutsche Genossensshaftsbank. This loan is split in two tranches, a $100m dollar one and a DM 100m one, increased from an initial DM 50m. The borrower is paying a margin of ¾ per cent above the London interbank offered rate.

Continued from Page 1

BNOC share sale

sector, possibly into foreign-owned multinational companies.

The impact of public participation on Government revenues from BNOC is being analysed at Treasury.

OIL PRICES: BNOC said last night that it was still trying to win full agreement for new levels of North Sea oil prices.

Companies are expected to complete their responses to BNOC proposals today, but it could be next week before the new prices are announced.

The corporation has suggested a reference price—for Forties Field-type crude oil—of $29.75 a barrel which would maintain past differentials with Nigerian crudes, now costing around $30.

This pricing level has apparently been accepted by those companies with refining interests which buy back North Sea oil from BNOC. According to industry reports a number of companies without refining commitments, among them U.S. interests, seek higher prices more in line with those being charged by Libya ($34.72) and Algeria ($33.0).

The amount of oil said to be involved in this pricing dispute is about 200,000 barrels a day, near 12.5 per cent of Britain's oil production.

There is concern in the Government that if Britain raised her price to above $30 a barrel this would prompt another round of increases by Nigeria and Algeria.

The Algerian Government has emphasised that its price includes a $3 exploration fee, refundable in certain cases, and that its reference level for contracts is only $30 a barrel.

If BNOC cannot win agreement with all the North Sea groups with which it buys and sells oil under State participation deals, it may decide to press ahead and fix a reference price of $29.75. Those in disagreement would then be invited to seek the ruling of an independent panel of experts.

● Oil prices have continued to ease on the Rotterdam spot market, according to industry reports, with Arabian light crude valued at about $39 to $40 a barrel. There was little activity in the market yesterday, largely because spare independent storage space is scarce and expensive.

Iran is to sell, for about $30 a barrel, 450,000 tonnes of crude oil to the Swedish State oil company Svenska Petroleum and the Swedish oil co-operative Oljekonsumenternas Foerbund.

More take to motor cycles

MOTOR CYCLE sales last year rose by 27 per cent to 288,000, only 40,000 short of the 1959 record. The biggest increase was achieved by mopeds, up by almost 60 per cent to 76,828.

Manufacturers are confident that the increased cost of petrol will lead to a growing acceptance of powered two-wheel transport.

Lloyd's to tighten procedures

By John Moore

LLOYD'S, the world's leading insurance market, plans to implement more formal internal procedures for granting and use of binding authorities to insurance specialists outside its market.

The move follows the collapse of regulatory procedures for binding authorities in the events which led up to large losses for the troubled Sasse underwriting syndicate.

A binding authority is an authority granted by a syndicate to a third party which allows that party to accept business on behalf of the syndicate up to certain limits.

It was use of one of these authorities which led to fire and damage to property insurances being placed with Sasse, and to eventual big losses.

Lloyd's is concerned because a binding authority holder for Sasse, an American company called Den-Har, was not approved by accepted market procedures.

Since 1978 the Lloyd's committee has been studying a report by an internal working party under the chairmanship of Mr. Brian Brennan on binding authorities.

The report has been considered by the various underwriters' market associations. Mr. Ian Findlay, Lloyd's previous chairman, has told members that it is expected that the "many recommendations will be implemented in the near future with the support of the associations."

A centralised registration system is likely to be implemented requiring all holders of binding authorities to be indicated to Lloyd's.

More stringent investigation procedures are to be developed to make sure that those producing business for the Lloyd's market through binding authorities are suitable to do so.

Weather

UK TODAY

DRY with sunshine in places. Cold.

England, Wales, Scotland, Ireland

Dry with some bright patches. Morning and evening frost and fog. Max. 6C (43F).

N.W. Scotland, Orkney, Shetland

Little rain in places. Mostly cloudy. Max. 6C (43F).

Weekend outlook: Little change.

WORLDWIDE

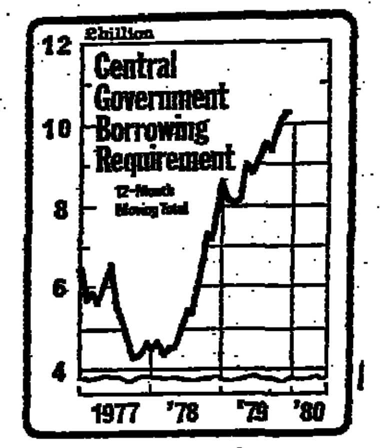
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	13	55	Locarno	F	0	32
Algiers	C	16	61	London	C	4	39
Amsdm.	C	0	32	Luxor	S	20	68
Athens	C	11	52	Madrid	C	9	48
Barclna.	R	6	43	Majorca	C	10	50
Beirut	C	16	61	Malaga	S	15	59
Belfast	F	2	36	Malta	C	14	57
Belgrd.	Fg	—7	19	Mchstr.	C	1	34
Berlin	Sn	—4	25	Melbne.	C	27	81
Biarritz	F	9	48	Mex. C.	S	20	68
Bmghm.	S	2	36	Milan	C	1	34
Blackp'l	S	2	36	M'ntreal	S	—4	25
Bordx.	C	9	48	Moscow	F	—14	7
Boulgn.	C	0	32	Munich	Sn	—4	25
Bristol	F	2	36	Nairobi	S	26	78
Budpst.	C	—1	30	Naples	C	8	46
B. Aires	S	32	90	Nwcstl.	C	2	36
Cairo	S	19	66	N. York	S	—2	28
Cardiff	F	3	37	Nice	C	11	52
Casbca.	C	16	61	Nicosia	C	15	59
Cape T.	S	23	73	Oslo	C	—6	21
Chicago	C	0	32	Paris	F	2	36
Cologne	C	0	32	Perth	S	25	77
Cpnhgn.	Sn	—1	30	Prague	Sn	—4	25
Corfu	C	10	50	Reykjvk.	R	3	37
Dublin	S	3	37	Rhodes	C	12	54
Dbrvnk.	C	8	46	Rio J'o	C	25	77
Ednbgh.	R	2	36	Rome	C	10	50
Florence	F	9	48	Salzb'rg	F	—1	30
Frankf't	C	0	32	Singapr.	C	30	86
Funchal	F	18	64	Stckhm.	C	0	32
Geneva	C	2	36	Strasb'g	F	0	32
Gibrltr.	S	14	57	Sydney	R	25	77
Glasgow	C	5	41	Tangier	F	13	55
G'rnsey	C	5	41	Tehran	C	2	36
Helsinki	S	—12	10	Tel Aviv	C	16	61
H. Kong	S	18	64	Tokyo	S	9	48
Innsbr'k	S	—7	19	Toronto	S	—2	28
Invrnss.	C	4	39	Tunis	F	14	57
I.o.Man	C	5	41	Valencia	F	12	54
Istanbul	C	12	54	Venice	F	4	39
Jersey	F	5	41	Vienna	S	—2	28
Jo'burg	S	23	73	Warsaw	S	—11	12
L. Plms.	C	19	66	Zurich	C	—2	28
Lisbon	S	11	52				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

English China and the paper cycle

Index rose 7.3 to 430.8



English China Clays has pushed up pre-tax profits by 35 per cent to £33.1m in the year to September on the back of a sharp recovery in its fortunes on the clay side, where growth was almost three-fifths to £23.2m. Despite the strength of sterling, it has been able to push through large price rises without hampering volume, so that UK production climbed 10 per cent and group output topped 3m tonnes. Export prices were twice hoisted by a tenth during 1979, in January and July, and the second of those rises gave a valuable fillip to profits in the final quarter. Last week prices again went up—by an average of around 12½ per cent—and ECC is crossing its fingers that demand in the European paper industry will hold up. So far, there is no real evidence that the recession is starting to bite.

There is clearly a risk that union demands in the pay negotiations just about to start will match ECC's apparent prosperity. But even if margins in clay come under pressure there should be some cushioning factors. The weather, for instance, was particularly damaging last winter, which hit not just clays but also the road surfacing business of the quarries division. Moreover there was £1m of terminal losses and provisions in the building division, arising mostly in the West Indies and Northern Ireland, and group profits were also charged an exceptional £1.2m backlog pay item. Overall, profits should go up this year.

There is still a long way to go before the group can recapture its growth image; profits have only modestly exceeded the £30.5m of two years ago, and memories will linger of ECC's inability to put up export prices in 1978. Still, the shares offer sound value at 82½p, where the yield (after a 21 per cent rise in the gross dividend) is almost 9 per cent, strongly covered.

Gilt-edged

Sellers have been absent from the gilt-edged market in the last few days, and yesterday, when even a disappointing Government borrowing figure for December failed to disturb the firm tone, the jobbers took refuge in the long tap stock and it was exhausted within minutes. The major jobbers seem to have had such hefty bear positions in this stock that their demand alone was enough to account for the bulk of the £400m sold.

The monetary position for the January banking month, which ends on Wednesday, is now transformed. The funding now done may be enough to trim back sterling M3 growth to the region of ½ per cent, rather than the 1½ per cent that it might otherwise have been. As so often in the gilt-edged market, the virtuous circle is self-fulfilling, and the bulls can now come back in force.

The first object of their attention is likely to be the new short tap, Exchequer 14 per cent 1984, most of which was left on the Government Broker's books at yesterday morning's tender. Dividend payments will build up strongly over the next couple of weeks, and the overseas buyers are reported to be back, so liquidity is no problem for the moment. At its tender price the short tap is now about ¼ point cheap.

The gilt-edged market's enthusiasm rubbed off on to equities after hours, taking the FT 30-Share Index back over 430—a rise of nearly 8 per cent from the low point touched last Thursday morning.

Highland Dist.

Highland Distilleries' defence document against the Hiram Walker takeover bid comes just as Hiram Walker itself is proposing to reverse into a Canadian gas utility—a kind of instant gasohol merger. No doubt the canny Scotsmen will have something to say about these strange Canadian capers in their next circular. That there will be one seems probable, for Highland confines itself to background and generalities in the current document, on the no doubt correct view that Hiram Walker has no chance of winning by the first closing date next Friday.

If there is a higher bid—something the share price is still anticipating at 141p against the present terms of 130p—Highland will have to tackle mundane matters like the value of its assets and the course of profits in the current year, of which there is so far no indication.

Sotheby's

Despite the strength of sterling and the absence of the £18m von Hirsch sale which flattered the 1977-78 figures, Sotheby's auction sales rose 15 per cent in the year to August, 1979, and in the first four months of the current year there is a 32 per cent advance. Margins are as good as or better than ever: gross revenue on net sales has moved above 20 per cent, and pre-tax margins at 4.4 per cent are the highest since 1972-73.

Some of last year's improvement reflects the imposition of the controversial buyers' premium in the fast-growing U.S. market, but the underlying earnings trend is strong. Although the group makes circumspect remarks about inflationary pressures on its costs, margins are holding up well and it would take a very severe recession to spoil the party.

Litigation over the buyer's premium is still hanging over Sotheby's, and the yield, although usefully increased, is no more than 4.3 per cent. Still, at 385p the shares are trading on little more than eight times prospective fully-taxed earnings (which are hardly affected by current cost adjustments): this looks a cautious enough rating.

First National

The 1978-79 property boom has proved a key factor in allowing a heavily-bandaged First National Finance Corporation to score profits above its heyday record set in 1973. While results in the consumer credit division have been stagnant, repossession and sale of flats in a buoyant market have accounted for nearly a third of the group's £21.6m pre-tax profits. The current year's tougher conditions mean this performance is unlikely to be repeated.

The shareholders' net deficiency has been halved from the position in 1977, and now stands at £38m. There seems to be no hurry, however, to change the present format of the group, since the first of the lifeboat loans does not become repayable until 1983. Yesterday the share price rose 1½p to 10½p.

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